What Creature is This? excerpted from the book The Creature from Jekyll Island a second look at the Federal Reserve by G. Edward Griffin

What Creature is This?

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William Greider in his book Secrets of The Temple, criticized the Federal Reserve

At the time [of the Federal Reserve Act], the conventional wisdom in Congress, widely shared and sincerely espoused by Progressive reformers, was that a government institution would finally harness the "money trust," disarm its powers, and establish broad democratic control over money and credit .... The results were nearly the opposite. The money reforms enacted in 1913, in fact, helped to preserve the status quo, to stabilize the old order. Money-center bankers would not only gain dominance over the new central bank, but would also enjoy new insulation against instability and their own decline. Once the Fed was in operation, the steady diffusion of financial power halted. Wall Street maintained its dominant position-and even enhanced it.

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Anthony Sutton, former Research Fellow at the Hoover Institution for War, Revolution and Peace, and also former Professor of Economics at California State University, Los Angeles

[Paul] Warburg's revolutionary plan to get American Society to go to work for Wall Street was astonishingly simple. Even today,... academic theoreticians cover their blackboards with meaningless equations, and the general public struggles in bewildered confusion with inflation and the coming credit collapse, while the quite simple explanation of the problem goes undiscussed and almost entirely uncomprehended. The Federal Reserve System is a legal private monopoly of the money supply operated for the benefit of the few under the guise of protecting and promoting the public interest.

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The basic plan for the Federal Reserve System was drafted at a secret meeting held in November of 1910 at the private resort of J.P. Morgan on Jekyll Island off the coast of Georgia. Those who attended represented the great financial institutions of Wall Street and, indirectly, Europe as well. The reason for secrecy was simple. Had it been known that rival factions of the banking community had joined together, the public would have been alerted to the possibility that the bankers were plotting an agreement in restraint of trade-which, of course, is exactly what they were doing. What emerged was a cartel agreement with five objectives: stop the growing competition from the nation's newer banks; obtain a franchise to create money out of nothing for the purpose of lending; get control of the reserves of all banks so that the more reckless ones would not be exposed to currency drains and bank runs; get the taxpayer to pick up the cartel's inevitable losses; and convince Congress that the purpose was to protect the public. It was realized that the bankers would have to become partners with the politicians and that the structure of the cartel would have to be a central bank. The record shows that the Fed has failed to achieve its stated objectives. That is because those were never its true goals. As a banking cartel, and in terms of the five objectives stated above, it has been an unqualified success.

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The Jekyll Island group which conceived the Federal Reserve System actually created a national cartel which was dominated by the larger banks. It was also stated that a primary objective of that cartel was to involve the federal government as an agent for shifting the inevitable losses from the owners of those banks to the taxpayers.

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The name of the game [of the Federal Reserve System] is bailout. The objective of this game is to shift the inevitable losses from the owners of the larger banks to the taxpayers.

... The game begins when the Federal Reserve System allows commercial banks to create checkbook money out of nothing.

... When such a loan is placed on the bank's books it is shown as an asset because it is earning interest and, presumably, someday will be paid back. At the same time an equal entry is made on the liability side of the ledger. That is because the newly created checkbook money now is in circulation, and most of it will end up in other banks which will return the canceled checks to the issuing bank for payment. Individuals may also bring some of this checkbook money back to the bank and request cash. The issuing bank, therefore, has a potential money pay-out liability equal to the amount of the loan asset.

When a borrower cannot repay and there are no assets which can be taken to compensate, the bank must write off that loan as a loss. However, since most of the money originally was created out of nothing and cost the bank nothing except bookkeeping overhead, there is little of tangible value that is actually lost. It is primarily a bookkeeping entry.

A bookkeeping loss can still be undesirable to a bank because it causes the loan to be removed from the ledger as an asset without a reduction in liabilities. The difference must come from the equity of those who own the bank. In other words, the loan asset is removed, but the money liability remains. The original checkbook money is still circulating out there even though the borrower cannot repay, and the issuing bank still has the obligation to redeem those checks. The only way to do this and balance the books once again is to draw upon the capital which was invested by the bank's stockholders or to deduct the loss from the bank's current profits. In either case, the owners of the bank lose an amount equal to the value of the defaulted loan. So, to them, the loss becomes very real. If the bank is forced to write off a large amount of bad loans, the amount could exceed the entire value of the owners' equity. When that happens, the game is over, and the bank is insolvent.

This concern would be sufficient to motivate most bankers to be very conservative in their loan policy, and in fact most of them do act with great caution when dealing with individuals and small businesses. But the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Federal Deposit Loan Corporation now guarantee that massive loans made to large corporations and to other governments will not be allowed to fall entirely upon the bank's owners should those loans go into default. This is done under the argument that, if these corporations or banks are allowed to fail, the nation would suffer from vast unemployment and economic disruption.

... The end result of this policy is that the banks have little motive to be cautious and are protected against the effect of their own folly. The larger the loan, the better it is, because it will produce the greatest amount of profit with the least amount of effort. A single loan to a third-world country netting hundreds of millions of dollars in annual interest is just as easy to process-if not easier than a loan for $50,000 to a local merchant on the shopping mall. If the

interest is paid, it's gravy time. If the loan defaults, the federal government will "protect the public" and, through various mechanisms (described shortly,)will make sure that the banks continue to receive their interest.

The individual and the small businessman find it increasingly difficult to borrow money at reasonable rates, because the banks can make more money on loans to the corporate giants and to foreign governments. Also, the bigger loans are safer for the banks, because the government will make them good even if they default. There are no such guarantees for the small loans. The public will not swallow the line that bailing out the little guy is necessary to save the system. The dollar amounts are too small. Only when the figures become mind-boggling does the ploy become plausible.

It is important to remember that banks do not really want to have their loans repaid, except as evidence of the dependability of the borrower. They make a profit from interest on the loan, not repayment of the loan. If a loan is paid off, the bank merely has to find another borrower, and that can be an expensive nuisance. It is much better to have the existing borrower pay only the interest and never make payments on the loan itself. That process is called rolling over the debt. One of the reasons banks prefer to lend to governments is that they do not expect those loans ever to be repaid.

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Since the system makes it profitable for banks to make large, unsound loans, that is the kind of loans which banks will make. Furthermore, it is predictable that most unsound loans eventually will go into default. When the borrower finally declares that he cannot pay, the bank responds by rolling over the loan. This often is stage managed to appear as a concession on the part of the bank but, in reality, it is a significant forward move toward the objective of perpetual interest.

Eventually the borrower comes to the point where he can no longer pay even the interest. Now the play becomes more complex. The bank does not want to lose the interest, because that is its stream of income. But it cannot afford to allow the borrower to go into default either, because that would require a write-off which, in turn, could wipe out the owners' equity and put the bank out of business. So the bank's next move is to create additional money out of nothing and lend that to the borrower so he will have enough to continue paying the interest.

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1 - Commercial banks in the industrialized nations, backed by their respective central banks, create money out of nothing and lend it to the governments of underdeveloped nations. They know that these are risky loans, so they charge an interest rate that is high enough to compensate. It is more than what they expect to receive in the long run.

2 - When the underdeveloped nations cannot pay the interest on their loans, the IMF and World Bank enter the game as both players and referees. Using additional money created out of nothing by the central banks of their member nations, they advance "development" loans to the governments which now have enough to pay the interest on the original loans with enough left over for their own political purposes.

3 - The recipient country quickly exhausts the new supply of money, and the play returns to point number two. This time, however, the new loans are guaranteed by the World Bank and the

central banks of the industrialized nations. Now that the risk of default is removed, the commercial banks agree to reduce the interest to the point anticipated at the beginning. The debtor governments resume payments.

4 - The final play is ... the conversion of the IMF into a world central bank as Keynes had planned, which then issues an international fiat money. Once that "Bank of Issue" is in place, the IMF can collect unlimited resources from the citizens of the world through the hidden tax called inflation. The money stream then can be sustained indefinitely - with or without the approval of the separate nations - because they will no longer have money of their own.

Since this game results in a hemorrhage of wealth from the industrialized nations, their economies are doomed to be brought down further and further, a process that has been going on since Bretton Woods. The result will be a severe lowering of their living standards and their demise as independent nations. The hidden reality behind so-called development loans is that America and other industrialized nations are being subverted by that process. That is not an accident; it is the essence of the plan. A strong nation is not likely to surrender its sovereignty. Americans would not agree to turn over their monetary system, their military, or their courts to a world body made up of governments which have been despotic to their own people, especially since most of those regimes have already revealed anti-American hostility. But if Americans can be brought to the point where they are suffering from a collapse of their economy and from a breakdown in civil order, things will be different. When they stand in bread lines and face anarchy in their streets, they will be more willing to give up sovereignty in return for "assistance" from the World Bank and the IN "peacekeeping" forces. This will become even more acceptable if a structured demise of Communism can be arranged ahead of time to make it appear that the world's major political systems have converged into the common denominator of "social democracy."

The underdeveloped nations ... are not being raised up. What is happening to them is that their political leaders are becoming addicted to the IMF cash flow and will be unable to break the habit. These countries are being conquered by money instead of arms. Soon they will no longer be truly independent nations. They are becoming mere components in the system of world socialism.

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John F Kennedy, addressed the finance ministers and central bank governors from 102 nations at the annual meeting of the IMF/World Bank, September 1963

Twenty years ago [1943], when the architects of these institutions [IMF & World Bank] met to design an international banking structure, the economic life of the world was polarized in overwhelming, and even alarming, measure on the United States .... Sixty per cent of the gold reserves of the world were here in the United States .... There was a need for redistribution of the financial resources of the world .... And there was an equal need to organize a flow of capital to the impoverished countries of the world. All this has come about. It did not come about by chance but by conscious and deliberate and responsible planning.

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CFR [Council on Foreign Relations] members have never been shy about calling for the

weakening of America as a necessary step toward the greater good of building world government. One of the CFR founders was John Foster Dulles, who later was appointed Secretary-of-State by CFR member Dwight Eisenhower. In 1939, Dulles said:

Some dilution or leveling off of the sovereignty system as it prevails in the world today must take place ... to the immediate disadvantage of those nations which now possess the preponderance of power .... The establishment of a common money... would deprive our government of exclusive control over a national money .... The United States must be prepared to make sacrifices afterward in setting up a world politico-economic order which would level off inequalities of economic opportunity with respect to nations.

CFR member Zbigniew Brzezinski was the National Security Adviser to CFR member Jimmy In 1970, Brzezinski wrote:

... some international cooperation has already been achieved, but further progress will require greater American sacrifices. More intensive efforts to shape a new world monetary structure will have to be undertaken, with some consequent risk to the present relatively favorable American position.

At the Spring, 1983, Economic Summit in Williamsburg, Virginia, President Ronald Reagan declared:

National economies need monetary coordination mechanisms, and that is why an integrated world economy needs a common monetary standard .... But, no national currency will do - only a world currency will work.

The CFR strategy for convergence of the world's monetary systems was spelled out by Harvard Professor Richard N. Cooper, a CFR member who had been the Under Secretary of State for Economic Affairs in the Carter Administration:

I suggest a radical alternative scheme for the next century: the creation of a common currency for all of the industrial democracies, with a (common monetary policy and a joint Bank of Issue to determine that monetary policy .... How can independent states accomplish that? They need to turn over the determination of monetary policy to a supranational body.

It is highly doubtful whether the American public, to take just one example, could ever accept that countries with oppressive autocratic regimes should vote on the monetary policy that would affect monetary conditions in the United States .... For such a bold step to work at all, it presupposes a certain convergence of political values ....

Phrases such as, monetary coordination mechanisms, modern world economic order, convergence of political values, or new world order are not very specific. To the average person, they sound pleasant and harmless. Yet, to the insiders of the club, they are code phrases which have a specific meaning: the termination of national sovereignty and the creation of world government. CFR member, Richard Gardner - another adviser to President Carter - explains the meaning of these phrases and also calls for the Fabian strategy of deception and gradualism:

In short! "house of world order" will have to be built from the bottom up .... An end run around

national sovereignty, eroding it piece by piece will accomplish much more than the old-fashioned frontal assault.

As for the programmed decline of the American economy, CFR member Samuel Huntington argues that, if higher education is considered to be desirable for the general population, "a program is then necessary to lower the job expectations of those who receive a college education."

CFR member Paul Voicker, former Chairman of the Federal Reserve

The standard of living of the average American has to decline .... I don't think you can escape that.

By 1993, Volcker had become the U.S. Chairman of the Trilateral Commission (TLC). The TLC was created by David Rockefeller to coordinate the building of The New World Order. "An end run around national sovereignty, eroding it piece by piece.' The objective is to draw the United States, Mexico, Canada, Japan, and Western Europe into political and economic union. Under slogans such as free trade and environmental protection, each nation is to surrender its sovereignty "piece by piece" until a full-blown regional government emerges from the process. The new government will control each nation's working conditions, wages, and taxes. Once that has happened, it will be a relatively simple step to merge the regionals into global government. That is the reality behind the so-called trade treaties within the European Union (EU), the North American Free Trade Agreement (NAFTA), the Asia-Pacific Economic Cooperation agreement (APEC), and the General Agreement on Tariffs and Trade (GATT). They have little to do with trade. In the Trilateral Commission's annual report for 1993 Volcker explains:

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Paul Volker, 1993

Interdependence is driving our countries toward convergence in areas once considered fully within the domestic purview. Some of these areas involve government regulatory policy, such as environmental standards, the fair treatment of workers, and taxation.

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In 1992, the Trilateral Commission released a report co-authored by Toyoo Gyohten, Chairman of the Board of the Bank of Tokyo and formerly Japan's Minister of Finance for International Affairs. Gyohten had been a Fulbright Scholar who was trained at Princeton and taught at Harvard Business School. He also had been in charge of the Japan Desk of the International Monetary Fund. In short, he represents the Japanese monetary interests within The New World Order. In this report, Gyohten explains that the real importance of "trade" agreements is not trade but the building of global government:

Regional trade arrangements should not be regarded as ends in themselves, but as supplements to global liberalization .... Regional arrangements provide models or building blocks for increased or strengthened globalism .... Western Europe [the EU] represents regionalism in its truest form .... The steps toward deepening [increasing the number of agreements] are dramatic and designed to be irreversible .... A common currency .... central bank.... court and parliament-will have expanded powers .... After the Maastricht summit [the Dutch town where the meeting was held], an Economist editorial pronounced the verdict: "Call it what you will: by any other name it is federal government."... In sum, the regional integration process in Europe can be seen as akin to an exercise in nation-building.

Applying this same perspective to the NAFTA treaty, former Secretary-of-State, Henry Kissinger (CFR), said it "is not a conventional trade agreement but the architecture of a new international system .... the vital first step for a new kind of community of nations." The newspaper article that contained this statement was appropriately entitled: "With NAFTA U.S. Finally Creates a New World Order." David Rockefeller (CFR) was even more emphatic. He said that it would be "criminal" not to pass the treaty because: "Everything is in place - after 500 years - to build a true 'new world' in the Western Hemisphere."

By early 1994, the drift toward the New World Order had become a rush. On April 15, the government of Morocco placed a full-page ad in the New York Times celebrating the creation of the World Trade Organization which was formed by the signing of the General Agreement on Tariffs and Trade (GATT) which took place in the Moroccan city of Marrakech. While Americans were still being told that GATT was merely a "trade" agreement, the internationalists were celebrating a much larger concept. The ad spelled it out in unmistakable terms:

1944, Bretton Woods: The IMF and the World Bank
1945, San Francisco: The United Nations
1994, Marrakech: The World Trade Organization

History knows where it is going .... The World Trade Organization, the third pillar of the New World Order, along with the United Nations and the International Monetary Fund.

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James Watt, Secretary of the Interior in the Reagan Administration, about an incident at a Cabinet meeting in the spring of 1982 [in his memoirs]

[Treasury] Secretary Regan was explaining the inability of those destitute countries to pay even the interest on the loans that individual banks such as Bank of America, Chase Manhattan and Citibank had made. The President was being told what actions the United States "must" take to salvage the situation.

After the Regan and Stockman briefings, there were several minutes of discussion before I asked, "Does anyone believe that these less developed countries will ever be able to pay back the principal on these loans?" When no one spoke up, I asked, "If the loans are never going to be repaid, why should we again bail out the countries and arrange payment for their interest?"

The answer came from several voices at once, "If we don't arrange for their interest payments, the loans will go into default, and it could put our American banks in jeopardy." Would the customers lose their money? No, came the answer, but the stockholders might lose dividends.

... I realized that nothing in the world could keep these high government officials from scrambling to protect and bail out a few very large and sorely troubled American Banks.

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... under the Carter Administration when Panama fell in arrears on the payment of its loans. A consortium of banks including Chase Manhattan, First National of Chicago and Citibank brought pressure to bear on Washington to give the Canal to the Panamanian government so it could use the revenue to pay interest on its loans. Although there was massive opposition to

this move among the American people, the Senate yielded to insider pressure and passed the give-away treaty. The Panamanian government inherited $120 million in annual revenue, and the interest payments to the banks were restored.

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[The] the inclusion of China and the former Soviet bloc into the Grand Design for global government. As with all the other countries in the world, the primary mechanism being used to accomplish this goal - at least in the field of economics - is the IMF/ World Bank. The process is: (1) the transfer of money from the industrialized nations-which drags them down economically to a suitable common denominator-and (2) the acquisition of effective control over the political leaders of the recipient countries as they become dependent upon the money stream. The thing that is new and which sets this stage apart from previous developments is that the apparent crumbling of Communism has created an acceptable rationale for the industrialized nations to now allow their lifeblood to flow into the veins of their former enemies. It also creates the appearance of global, political "convergence," a condition which CFR theoretician, Richard Cooper, said was necessary before own destinies determined by governments other than their own.

... The top Communist leaders have never been as hostile their counterparts in the West as the rhetoric suggests. They are quite friendly to the world's leading financiers and have worked closely with them when it suits their purposes... the Bolshevik revolution actually was financed by wealthy financiers in London and New York. Lenin and Trotsky were on the closest of terms with these moneyed interests - both before and after the Revolution. Those hidden liaisons have continued to this day and occasionally pop to the surface when we discover a David Rockefeller holding confidential meetings with a Mikhail Gorbachev in the absence of government sponsorship or diplomatic purpose.

It is not unreasonable to imagine a scenario in which the leaders of the Communist bloc come to realize they cannot hold themselves in power much longer. There comes a point where even physical force is not enough, especially when the loyalties of those who hold the weapons also begin to falter. With economic gangrene creeping up the legs of their socialist systems, they realize they must obtain outside financial assistance or perish.

... In this scenario, the negotiators that the Soviet Bloc needs financial support. It is agreed that the Western nations have the capacity to provide it. It is agreed that the best way to move money from the industrialized nations into the Soviet bloc is through international agencies such as the IMF/World Bank. It is agreed this cannot happen until hostility between world systems is replaced by political convergence. It is agreed that future conflict is wasteful and dangerous to all parties. Therefore, it is finally agreed that the Soviet bloc must abandon its posture of global aggression while the Western nations continue to move toward socialism, necessary steps for the long-range goal of merger into a world government. But, in doing so, it must be insured that the existing Communist leaders retain control over their respective states.

To that end, they change their public identities to "Social Democrats." They speak out against the brutal excesses of their predecessors and they offer greater freedom of expression in the media. A few dispensable individuals among their ranks are publicly purged as examples of the demise of the old order. States that once were held captive by the Soviet Union are allowed to break away and then return on a voluntary basis. If any leaders of the newly emancipated states prefer true independence instead of alignment with Russia, they are replaced.

No other changes are required. Socialism remains the economic system of choice and,

although lip service may be given to free-market concepts, the economy and all means of production remain under state control. The old Communists are now Social Democrats and, without exception, they become the leaders in the new system.

The West rejoices, and the money starts to move. As an extra bonus, the former Bolsheviks are now hailed by the world as great statesmen who put an end to the Cold War, brought freedom to their people, and helped to forge a New World Order.

When did Communism depart? We are not quite sure. All we know is that one day we opened our newspapers and it was accomplished. Social Democrats were everywhere. No one could find any Communists. Russian leaders spoke as long-time enemies of the old regime. Peristroika was here. Communism was dead. It was not killed by an enemy. It voted itself out of existence. It committed suicide!

Does it not seem strange that Communism fell without a struggle? Is it not curious that the system which was born out of class conflict and revolution and which maintained itself by force and violence for almost a century just went away on its own? Communism was not overthrown by people rising up with clubs and pitchforks to throw off their yoke of tyranny. There was no revolution or counterrevolution, no long period of fragmentation, no bloody surges between opposing forces. Poof! It just happened. True, there was blood in the streets in those areas where opposing groups vied for power, but that was after Communism had departed, not before. Such an event had never occurred in history. Until then, it had been contrary to the way governments act; contrary to the very nature of power which never surrenders without a life-and-death struggle. This, indeed, is a great curiosity-which should cause people to think.

... the so-called demise of Communism is a Great Deception...having been stage managed for the transition to world government.

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The industrialized nations of the world are being bled to death In a global transfer of their wealth to the less developed countries. Furthermore, it is not being done to them by their enemies. It is being done by their own leaders. The process is well coordinated across national lines and perfectly dovetails with the actions of other leaders who are doing the same thing in their respective countries, and these leaders regularly meet together to better coordinate their activities. This could not happen without planning.

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The international version of the game called Bailout is similar to the domestic version in that the overall objective is to have the taxpayers cover the defaulted loans so that interest payments can continue going to the banks. The differences are: (1) instead of justifying this as protecting the American public, the pretense is that it is to save the world from poverty; and (2) the main money pipeline goes from the Federal Reserve through the IMF/ World Bank. Otherwise, the rules are basically the same.

There is another dimension to the however, that involves more than mere profits and scam. It is the conscious and deliberate evolution of the IMF/ World Bank into a world central bank with the power to issue a world fiat currency. And that is an important step in an even larger plan to build a true world government within the framework of the United Nations.

Economically strong nations are not candidates for surrendering their sovereignty to a world government. Therefore, through "loans" that will never be paid back, the IMF/ World Bank

directs the massive transfer of wealth from the industrialized nations to the less developed nations. This ongoing process eventually drains their economies to the point where they also will be in need of assistance. No longer capable of independent action, they will accept the loss of sovereignty in return for international aid.

The less developed countries, on the other hand, are being brought into The New World Order along an entirely different route. Many of these countries are ruled by petty tyrants who care little for their people except how to extract more taxes from them without causing a revolt. Loans from the IMF/World Bank are used primarily to perpetuate themselves and their ruling parties in power-and that is exactly what the IMF/World Bank intends. Rhetoric about helping the poor notwithstanding, the true goal of the transfer of wealth disguised as loans is to get control over the leaders of the less developed countries. After these despots get used to the taste of such an unlimited supply of sweet cash, they will never be able to break the habit. They will be content - already are content - to become little gold-plated cogs in the giant machinery of world government. Ideology means nothing to them: capitalist, communist, socialist, fascist, what does it matter so long as the money keeps coming. The IMF/ World Bank literally is buying these countries and using our money to do it.

A Crash Course on Money excerpted from the book The Creature from Jekyll Island a second look at the Federal Reserve by G. Edward Griffin

thirdworldtraveler.com

p155
"fiat money" - American Heritage dictionary

Paper money decreed legal tender ... not backed by gold or silver.

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Wars are seldom funded out of the existing treasury, nor are they even done so out of increased taxes. If governments were to levy taxes on their citizens fully adequate to finance the conflict, the amount would be so great that many of even its most ardent supporters would lose enthusiasm. By artificially increasing the money supply, however, the real cost is hidden from view. It is still paid, of course, but through inflation, a process that few people understand.

The American Revolution was no exception. In order to pay the bill for independence, both the Confederation and the individual states went heavily into the printing business. At the beginning of the war in 1775, the total money supply stood at $12 million. In June of that year, the Continental Congress issued another $2 million. Before the notes were even put into circulation, another $1 million was authorized. By the end of the year, another $3 million. In 1776, another $19 million. $13 million in 1777. $64 million in 1778. $125 million in 1779. And still more: the Continental Army issued its own "certificates" for the purchase of supplies totaling $200 million. A total of $425 million in five years on top of a base of $12 million is an increase of over 3500%. And, in addition to this massive expansion of the money supply on the part of the central government, it must be remembered that the states were doing exactly the same thing. It is estimated that, in just five years from 1775 to the end of 1779, the total money supply expanded by 5000%. By contrast, the amount raised in taxes over the five-year period was inconsequential, amounting to only a few million dollars.

The first exhilarating effect of this flood of new money was the flush of apparent prosperity, but that was quickly followed by inflation as the self-destruct mechanism began to operate. In 1775, paper Continentals were traded for one dollar in gold. In 1777, they were exchanged for twenty-five cents. By 1779, just four years from their issue, they were worth less than a penny. The phrase "Not worth a Continental" has its origin in this dismal period. Shoes sold for $5,000 a pair. A suit of clothes cost a million.

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Fiat money is the means by which governments obtain instant purchasing power without taxation. But where does that purchasing power come from? Since fiat money has nothing of tangible value to offset it, government's fiat purchasing power can be obtained by subtracting it from somewhere else. It is, in fact "collected' from us all through a decline in our purchasing power.

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In the beginning, banks served as warehouses for the safe keeping of their customers' coins. When they issued paper receipts for those coins, they converted commodity money into receipt

money. This was a great convenience, but it did not alter the money supply. People had a choice of using either coin or paper but they could not use both. If they used coin, the receipt was never issued. If they used the receipt, the coin remained in the vault and did not circulate.

When the banks abandoned this practice and began to issue receipts to borrowers, they became magicians. Some have said they created money out of nothing, but that is not quite true. What they did was even more amazing. They created money out of debt.

Obviously, it is easier for people to go into debt than to mine gold. Consequently, money no longer was limited by the natural forces of supply and demand. From that point in history forward, it was to be limited only by the degree to which bankers have been able to push down the gold-reserve fraction of their deposits.

From this perspective, we can now look back on fractional money and recognize that it really is a transitional form between receipt money and fiat money. It has some of the characteristics of both. As the fraction becomes smaller, the less it resembles receipt money and the more closely it comes to fiat money. When the fraction finally reaches zero, then it has made the complete transition and becomes pure fiat. Furthermore, there is no example in history where men, once they had accepted the concept of fractional money, didn't reduce the fraction lower and lower until, eventually, it became zero. No bank can stay in business for very long with a zero reserve. The only way to make people accept such a worthless currency is by government force. That's what legal-tender laws are all about. The transition from fractional-reserve money to fiat money, therefore, requires the participation of government through a mechanism which is called a central bank.

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Fractionai money is paper money which is backed by precious metals up to only a portion of the face amount. It is a hybrid, being part receipt money and part fiat money... the fraction which represents the reserve becomes smaller and smaller until, eventually, it is reduced to zero... Fractional money will always degenerate into fiat money. It is but fiat money in transition.

... Fractional money is defined as paper money with precious-metal backing for part, not all of its stated value... Fractional money always degenerates into pure fiat money.

p178
The reality of central banks - the Federal Reserve System is such a creature - is that, under the guise of purchasing government bonds, they act as hidden money machines which can be activated any time the politicians want. This is a godsend to the political scientists who no longer must depend on taxes or the good credit of their treasury to raise money It is even easier than printing and, because the process is not understood by the public, it is politically safe.

p179
In Europe and America, the banks have always operated with the assumption that their partners in government will come to their aid when they get into trouble. Politicians may speak about "protecting the public," but the underlining reality is that the government needs the fiat money produced by the banks. The banks, therefore - at least the big ones - must not be allowed to fail. Only a cartel with government protection can enjoy such insulation from the workings of a free market.

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The Bank of England was formed in 1694 to institutionalize fractional-reserve banking. As the world's first central bank, it introduced the concept of a partnership between bankers and politicians. The politicians would receive spendable money (created out of nothing by the bankers) without having to raise taxes. In return, the bankers would receive a commission on the transaction-deceptively called interest-which would continue in perpetuity. Since it all seemed to be wrapped up in the mysterious rituals of banking, which the common man was not expected to understand, there was practically no opposition to the scheme. The arrangement proved so profitable to the participants that it soon spread to many other countries in Europe and, eventually, to the United States.

p186
in a booklet published by the Federal Reserve Bank of New York

Banks are creating money based on a borrower's promise to pay (the IOU)... Banks create money by 'monetizing' the private debts of businesses and individuals.

p186
in a booklet entitled 'Modern Money Mechanics' the Federal Reserve Bank of Chicago says

In the United States neither paper currency nor deposits have value as commodities. Intrinsically, a dollar bill is just a piece of paper. Deposits are merely book entries. Coins do have some intrinsic value as metal, but generally far less than their face amount.

What, then, makes these instruments - checks, paper money, and coins - acceptable at face value in payment of all debts and for other monetary uses? Mainly, it is the confidence people have that they will be able to exchange such money for other financial assets and real goods and services whenever they choose to do so. This partly is a matter of law; currency has been designated "legal tender" by the government - that is, it must be accepted.

p187
It is difficult for Americans to come to grips with the fact that their total money supply is backed by nothing but debt, and it is even more mind boggling to visualize that, if everyone paid back all that was borrowed, there would be no money left in existence. That's right, there would be not one penny in circulation-all coins and all paper currency would be returned to bank vaults-and there would be not one dollar in any one's checking account. In short, all money would disappear.

p188
Mariner Eccles, Governor of the Federal Reserve system, giving testimony before a House Committee on Banking and Currency in 1941

If there were no debts in our money system, there wouldn't be any money.

p188
It must be realized that, while money may represent an asset to J selected individuals, when it is considered as an aggregate of the total money supply, it is not an asset at all. A man who borrows $1,000 may think that he has increased his financial position by that amount but he has not. His $1,000 cash asset is offset by his $1,000 loan liability, and his net position is zero. Bank accounts are exactly the same on a larger scale. Add up all the bank accounts in the nation, and it would be easy to assume that all that money represents a gigantic pool of assets which support the economy. Yet, every bit of this money is owed by someone. Some will owe nothing.

Others will owe many times what they possess. All added together, the national balance is zero. What we think is money is but grand illusion. The reality is debt.

p188
Robert Hemphill Credit Manager of the Federal Reserve Bank in Atlanta, in the foreword to a book by Irving Fisher entitled "100% Money"

If all the bank loans were paid, no one could have a bank deposit, and there would not be a dollar of coin or currency in circulation. This is a staggering thought. We are completely dependent on the commercial banks. Someone has to borrow every dollar we have in circulation, cash, or credit. If the banks create ample synthetic money we are prosperous; if not, we starve. We are absolutely without a permanent money system. When one gets a complete grasp of the picture, the tragic absurdity of our hopeless situation is almost incredible-but there it is.

p189
from a publication of The Federal Reserve Bank of Philadelphia

A large and growing number of analysts ... now regard the national debt as something useful, if not an actual blessing .... [They believe] the national debt need not be reduced at all.

p193
The Fed takes all the government bonds which the public does not buy and writes a check to Congress in exchange for them. (It acquires other debt obligations as well, but government bonds comprise most of its inventory.) There is no money to back up this check. These fiat dollars are created on the spot for that purpose. By calling those bonds "reserves," the Fed then uses them as the base for creating 9 additional dollars for every dollar created for the bonds themselves. The money created for the bonds is spent by the government, whereas the money created on top of those bonds is the source of all the bank loans made to the nation's businesses and individuals. The result of this process is the same as creating money on a printing press, but the illusion is based on an accounting trick rather than a printing trick. The bottom line is that Congress and the banking cartel have entered into a partnership in which the cartel has the privilege of collecting interest on money which it creates out of nothing, a perpetual override on every American dollar that exists in the world. Congress, on the other hand, has access to unlimited funding without having to tell the voters their taxes are being raised through the process of inflation. If you understand this paragraph, you understand the Federal Reserve System.

p203
The federal government now could operate ... without levying any taxes whatsoever. All it has to do is create the required money through the Federal Reserve System by monetizing its own bonds. In fact, most of the money it now spends is obtained that way.

... Why then does the federal government bother with taxes at all? Why not just operate on monetized debt? The answer is twofold. First, if it did, people would begin to wonder about the source of the money, and that might cause them to wake up to the reality that inflation is a tax. Thus, open taxes at some level serve to perpetuate public ignorance which is essential to the success of the scheme. The second reason is that taxes, particularly progressive taxes, are weapons by which elitist social planners can wage war on the middle class.

p204

Beardsley Ruml, Chairman of the Federal Reserve Bank of New York, wrote an article in the January 1946 issue of American Affairs titled "Taxes for Revenue Are Obsolete". In an introduction to the article, the magazine's editor summarized Rumi's views

Given control of a central banking system and an inconvertible currency (a currency not backed by gold), a sovereign national government is finally free of money worries and needs no longer levy taxes for the purpose of providing itself with revenue. All taxation, therefore, should be regarded from the point of view of social and economic consequences.

p205

Beardsley Ruml, Chairman of the Federal Reserve Bank of New York, wrote an article in the January 1946 issue of American Affairs titled "Taxes for Revenue Are Obsolete"

The ... purpose of federal taxes is to attain more equality of wealth and of income than would result from economic forces working alone. The taxes which are effective for this purpose are the progressive individual income tax, the progressive estate tax, and the gift tax. What these taxes should be depends on public policy with respect to the distribution of wealth and of income. These taxes should be defended and attacked in terms of their effect on the character of American life, not as revenue measures.

p207

The American dollar has no intrinsic value. It is a classic example of fiat money with no limit to the quantity that can be produced Its primary value lies in the willingness of people to accept it and, to that end, legal tender laws require them to do so. It is true that our money is created o it of nothing, but it is more accurate to say that it is based upon debt. In one sense, therefore, our money is created out of less than nothing. The entire money supply would vanish into bank vaults and computer chips if all debts were repaid. Under the present System, therefore, our leaders cannot allow a serious reduction in either the national or consumer debt. Charging interest on pretended loans is usury, and that has become institutionalized under the Federal Reserve System. The Mandrake Mechanism by which the Fed converts debt into money may seem complicated at first, but it is simple if one remembers that the process is not intended to be logical but to confuse and deceive. The end product of the Mechanism is artificial expansion of the money supply, which is the root cause of the hidden tax called inflation. This expansion then leads to contraction and, together, they produce the destructive boom-bust cycle that has plagued mankind throughout history wherever fiat money has existed

p208

Cecil Rhodes made one of the world's greatest fortunes of the 19th century. Financed by Nathan Rothschild and the Bank of England, he established a monopoly over the diamond output of South Africa and most of the gold as well. He formed a secret society which included many of the top leaders of British government. Their elitist goal was nothing less than world domination and the establishment of a modem feudalist society controlled by themselves through the world's central banks. In America, the Council on Foreign Relations (CFR) was an outgrowth of that group.

p209

J.P. Morgan, Sr. was brought into banking by his father, Junius Morgan, in England. The Morgans were friendly competitors with the Rothschilds and became socially close to them. Morgan's London-based firm was saved from financial ruin in 1857 by the Bank of England over which the Rothschilds held great influence. Thereafter, Morgan appears to have served as a Rothschild financial agent and went to great length to appear totally American.

p209
John D. Rockefeller made his initial fortune in oil but soon gravitated into banking and finance. His entry into the field was not welcomed by J.P. Morgan, and they became fierce competitors. Eventually, they decided to minimize their competition by entering into joint ventures. In the end, they worked together to create a national banking cartel called the Federal Reserve System.

p213
Carroll Quigley was a professor of history at Georgetown University. His book, Tragedy and Hope, revealed that the Council on Foreign Relations (CFR) is an outgrowth of the secret society formed by Cecil Rhodes. He wrote the history of how an international network of financiers has created a system of financial control able to dominate the political systems of all countries through their central banks.

p214
Winston Churchill was the First Lord of the Admiralty in World War I. As the Lusitania entered into an area where a German U-Boat was known to be operating, he called off the destroyer escort that had been assigned to protect her. He calculated that the destruction of a British ship with U.S. passengers aboard would inflame American passions against Germany and help create a political climate for coming into the war.

The New Alchemy, A Tale of Three Banks excerpted from the book The Creature from Jekyll Island a second look at the Federal Reserve by G. Edward Griffin

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No discussion of banking as a mechanism for financing wars would be complete without turning eventually to the name Rothschild. It was Mayer Amschel Rothschild who is quoted as saying: "Let me issue and control a nation's money and I care not who writes the laws." Biographer Frederic Morton concluded that the Rothschild dynasty had: "... conquered the world more thoroughly, more cunningly, and much more lastingly than all the Caesars before or all the Hitlers after them." The dynasty was begun in Frankfurt, Germany, in the middle of the eighteenth century by Mayer Amschel Bauer, the son of a goldsmith. Mayer became a clerk in the Oppenheimer Bank in Hanover and was eventually promoted to junior partner. After his father's death, he returned to his home in Frankfurt to continue the family business. Over the door hung a red shield with an eagle as a sign to identify the establishment. The German words for red shield are roth schild, so he changed his name from Bauer to Rothschild and added five gold arrows held in the talons of the eagle to represent his five sons.

The Rothschild fortune began when Mayer adopted the practice of fractional-reserve banking. As we have seen, he was not alone in this, but the House of Rothschild greatly surpassed the competition. That was due to his sharp business acumen and also because of his five most unusual sons, all of whom became financial power centers of their own. As they matured and learned the magic of converting debt into money, they moved beyond the confines of Frankfurt and established additional operations in the financial centers, not only of Europe, but of much of the civilized world.

Throughout the first half of the nineteenth century, the brothers conducted important transactions on behalf of the governments of England, France, Prussia, Austria, Belgium, Spain, Naples, Portugal, Brazil, various German states, and other smaller countries. They were the personal bankers of many of the crowned heads of Europe. They made large investments, through agents, in markets as distant as the United States, India, Cuba, and Australia. They were financiers to Cecil Rhodes, making it possible for him to establish a monopoly over the diamond fields of South Africa. They are still connected with the de Beers.

Biographer Derek Wilson writes:

Those who lampooned or vilified the Rothschilds for their "sinister" influence had a considerable amount of justification for their anger and anxiety. The banking community had always constituted a "fifth estate" whose members were able, by their control of royal purse ç strings, to affect important events. But the house of Rothschild was immensely more powerful than any financial empire that had ever preceded it. It commanded vast wealth. It was international. It was independent. Royal governments were nervous of it because they could not control it. Popular movements hated it because it was not answerable to the people. Constitutionalists resented it because its influence was exercised behind the scenes-secretly.

Secrecy, of course, is essential for the success of a cabal, and the Rothschilds perfected the art. By remaining behind the scenes, they were able to avoid the brunt of public anger which was directed, instead, at the political figures which they largely controlled.

p226
Nathan Rothschild and the battle at Waterloo between Wellington and Napoleon

It was well known that the Rothschilds had developed a private courier service that was used, not only to transport gold and other tangible cargo, but to rapidly move information that could be useful in making investment decisions. It was expected, therefore, that Nathan in London would be the first to know the name of the victor after the cannon smoke had cleared from the battlefield. And they were not to be disappointed. The first news of Wellington's victory arrived in Brussels around midnight on June 18, 1815, where a Rothschild agent named Rothworth was waiting in readiness. He immediately mounted a fresh horse and set off for the port of Ostend where a boat was standing by to speed him across the channel to London. In the early hours of June 20, the exhausted messenger was pounding on Nathan's door, a full twenty-four hours before Wellington's own courier, Major Henry Percy, arrived.

At least one friendly biographer claims that Nathan's first act was to deliver the news to the Prime Minister, but that government officials were hesitant at first to believe it, because it ran contrary to reports they had received previously telling of serious British setbacks. At any rate, there is no doubt that Nathan's second act of the morning was to set off for the stock exchange to take up a position at his usual pillar.

All eyes were upon him as he slumped dejectedly, staring at the floor. Then, he raised his gaze and, with pained expression, began to sell. The whisper went through the crowded room, "Nathan is selling?" "Nathan is selling!" "Wellington must have lost." "Our government bonds will never be repaid." "Sell them now. Sell. Sell!"

Prices tumbled, and Nathan sold again. Prices plummeted, and still Nathan sold. Finally, prices collapsed altogether and, in one quick move, Nathan reversed his call and purchased the entire market in government bonds. In a matter of just a few hours, he had acquired the dominant holding of England's entire debt at but a tiny fraction of its worth.

p228
There have always been men who were in a position to make private fortunes out of cooperating with both sides in a war. The Rothschilds were not unique in this, but they no doubt perfected the art and became the personification of that breed. They were not necessarily evil in a moral sense. What preoccupied their minds were not questions of right or wrong but of profit and loss. This analytical indifference to human suffering was aptly described by one Rothschild when he said: "When the streets of Paris are running with blood, I buy." They may have held citizenship in the country of their residence, but patriotism was beyond their comprehension. They were also very bright, if not cunning, and these combined traits made them the role model of the cool pragmatists who dominate the political and financial world of today.

p229
One of the great puzzles of history is why governments always go into debt and seldom attempt to put themselves on a "pay-as-you-go" basis. A partial answer is that kings and politicians lack the courage to tax their subjects the enormous sums that would be required under such an arrangement. There is also the deeper question of why the expenditures are so high in the first place.

Given the mentality of the world's financial lords and masters ... it is conceivable that a coldly calculated strategy has been developed over the years to insure this result. In fact, the

historical evidence strongly suggests that just such a plan was developed in eighteenth-century Europe and perfected in twentieth-century America. For the purposes of hypothetical analysis, let us identify this strategy as The Rothschild Formula.

Let us imagine a man who is totally pragmatic. He is smarter and more cunning than most men and, in fact, holds them in thinly disguised contempt. He may respect the talents of a few, but has little concern over the condition of mankind. He has observed that kings and politicians are always fighting over something or other and has concluded that wars are inevitable. He also has learned that wars can be profitable, not only by lending or creating the money to finance them, but from government favoritism in the granting of commercial subsidies or monopolies. He is not capable of such a primitive feeling as patriotism, so he is free to participate in the funding of any side in any conflict, limited only by factors of self interest. If such a man were to survey the world around him, it is not difficult to imagine that he would come to the following conclusions which would become the prime directives of his career:

1. War is the ultimate discipline to any government. If it can successfully meet the challenge of war, it will survive. If it cannot, it will perish. All else is secondary. The sanctity of its laws, the prosperity of its citizens, and the solvency of its treasury will be quickly sacrificed by any government in its primal act of self-survival.

2. All that is necessary, therefore, to insure that a government will maintain or expand its debt is to involve it in war or the threat of war. The greater the threat and the more destructive the war, the greater the need for debt.

3. To involve a country in war or the threat of war, it will be necessary for it to have enemies with credible military might. If such enemies already exist, all the better. If they exist but lack military strength, it will be necessary to provide them the money to build their war machine. If an enemy does not exist at all, then it will be necessary to create one by financing the rise of a hostile regime.

4. The ultimate obstacle is a government which declines to finance its wars through debt. Although this seldom happens, when it does, it will be necessary to encourage internal political opposition, insurrection, or revolution to replace that government with one that is more compliant to our will. The assassination of heads of state could play an important role in this process.

5. No nation can be allowed to remain militarily stronger than its adversaries, for that could lead to peace and a reduction of debt. To accomplish this balance of power, it may be necessary to finance both sides of the conflict. Unless one of the combatants is hostile to our interests and, therefore, must be destroyed, neither side should be allowed a decisive victory or defeat. While we must always proclaim the virtues of peace, the unspoken objective is perpetual war.

Whether anyone actually put this strategy into words or passed it along from generation to generation is not important. In fact, it is doubtful it has ever worked that way. Whether it is the product of conscious planning or merely the consequence of men responding to the profit opportunities inherent in fiat money, the world's financial lords have acted as though they were following such a plan.

p232
By the end of the eighteenth century, the House of Rothschild had become one of the most successful financial institutions the world has ever known... As pioneers in the practice of

lending money to governments, they soon learned that this provided unique opportunities to parlay wealth into political power as well. Before long, most of the princes and kings of Europe had come within their influence.

... The fact that different branches of the Rothschild network might be providing funds for the enemy was pragmatically ignored. Thus, a time-honored practice among financiers was born: profiting from both sides.

... [There is a] special breed of international financiers whose success typically is built upon certain character traits. Those include cold objectivity, immunity to patriotism, and indifference to the human condition. That profile is the basis for proposing a theoretical strategy, called the Rothschild Formula, which motivates such men to propel governments into war for the profits they yield... As long as the mechanism of central banking exists, it will be to such men an irresistible temptation to convert debt into perpetual war and war into perpetual debt.

p260
To finance the early stages of World War I, England and France had borrowed heavily from investors in America and had selected the House of Morgan as sales agent for their bonds. Morgan also acted as their U.S. purchasing agent for war materials, thus profiting from both ends of the cash flow: once when the money was borrowed and again when it was spent. Further profits were derived from production contracts placed with companies within the Morgan orbit. But the war began to go badly for the Allies when Germany's submarines took virtual control of the Atlantic shipping lanes. As England and France moved closer to defeat or a negotiated peace on Germany's terms, it became increasingly difficult to sell their bonds. No bonds meant no purchases, and the Morgan cash flow was threatened. Furthermore, if the previously sold bonds should go into default, as they certainly would in the wake of defeat, the Morgan consortium would suffer gigantic losses.

The only way to save the British Empire, to restore the value of the bonds, and to sustain the Morgan cash flow was for the United States government to provide the money. But, since neutral nations were prohibited from doing that by treaty, America would have to be brought into the war. A secret agreement to that effect was made between British officials and Colonel House, with the concurrence of the President. From that point forward, Wilson began to pressure Congress for a declaration of war. This was done at the very time he was campaigning for election on the slogan "He kept us out of war." Meanwhile, Morgan purchased control over major segments of the news media and engineered a nation-wide editorial blitz against Germany, calling for war as an act of American patriotism.

... The Lusitania was built to military specifications and was registered with the British Admiralty as an armed auxiliary cruiser. She carried passengers as a cover to conceal her real mission, which was to bring contraband war materials from the United States. This fact was known to Wilson and others in his administration, but they did nothing to stop it.

... The British knew that to draw the United States into the war would mean the difference between defeat and victory, and anything that could accomplish that was proper-even the coldly calculated sacrifice of one of her great ships [the Lusitania] with Englishmen aboard. But the trick was to have Americans on board also in order to create the proper emotional climate in the United States.

... The deed had been done, and it set in motion great waves of revulsion against the Germans. These waves eventually flooded through Washington and swept the United States into war.

Within days of the declaration, Congress voted $1 billion in credit for England and France. $200 million was sent to England immediately and was applied to the Morgan account. The vast quantity of money needed to finance the war was created by the Federal Reserve System, which means it was collected from Americans through that hidden tax called inflation.

... The separate motives of such diverse personalities as Winston Churchill, J.P. Morgan, Colonel House, and Woodrow Wilson all found common cause in bringing America into World War I. Churchill maneuvered for military advantage, Morgan sought the profits of war, House schemed for political power, and Wilson dreamed of a chance to dominate a post-war League of Nations.

p269
Dr. Carroll Quigley, professor of history at Georgetown University, and author of the book 'Tragedy and Hope', about the world's money power structure. He describes the goal of this network of world financiers as being:

... nothing less than to create a world system of financial control in private hands able to dominate the political system of each country and the economy of the world as a whole. This system was to be controlled in a feudalist fashion by the central banks of the world acting in concert, by secret agreements arrived at in frequent private meetings and conferences...

Each central bank, in the hands of men like Montagu Norman of the Bank of England, Benjamin Strong of the New York Federal Reserve Bank, Charles Rist of the Bank of France, and Hjalmar Schacht of the Reichsbank, sought to dominate its government by its ability to control treasury loans, to manipulate foreign exchanges, to influence the level of economic activity in the country, and to influence cooperative politicians by subsequent economic rewards in the business world.

p270
In 1870, a wealthy British socialist by the name of john Ruskin (was appointed as professor of fine arts at Oxford University in London. He taught that the state must take control of the means of production and organize them for the good of the community as a whole. He advocated placing control of the state into the hands of a small ruling class, perhaps even a single dictator. He said: "My continual aim has been to show the eternal superiority of some men to others, sometimes even of one man to all others."

This, of course, is the same intellectual appeal of Communism. Lenin taught that the masses could not be trusted to handle their own affairs and that a special group of disciplined intellectuals must assume this role for them. That is the function of the Communist Party, which never comprises more than about three per cent of the population. Even when the charade of free elections is allowed, only members of the Party-or those over whom the KGB has total control-are permitted to run for office. The concept that a ruling party or class is the ideal structure for society is at the heart of all collectivist schemes, regardless of whether they are called Socialism, Communism, Nazism, Fascism, or any other "ism" which may yet be invented to disguise it. It is easy, therefore, for adherents of this elitist mentality to be comfortable in almost any of these collectivist camps, a fact to which Dr. Quigley alluded when he wrote: "This network, which we may-identify as the Round Table Groups, has no aversion to cooperating with the communists, or any other groups, and frequently does so."

Returning to the subject of the origins of this group, however, Dr. Quigley tells us:

Ruskin spoke to the Oxford undergraduates as members of the privileged ruling class. He told them that they were the possessors of a magnificent tradition of education, beauty, rule of law, freedom, decency, and self-discipline, but that this tradition could not be saved, and did not deserve to be saved, unless it could be extended to the lower classes in England itself and to the non-English masses throughout the world.

Ruskin's message had a sensational impact. His inaugural lecture was copied out in long-hand by one undergraduate, Cecil Rhodes, who kept it with him for thirty years.

Cecil Rhodes made one of the world's greatest fortunes. With the cooperation of the Bank of England and financiers like Rothschild, he was able to establish a virtual monopoly over the diamond output of South Africa and most of the country's gold as well. The major portion of this vast income was spent to advance the ruling-class ideas of John Ruskin.

Dr. Quigley explains:

The Rhodes Scholarships, established by the terms of Cecil Rhodes' seventh will, are known to everyone. What is not so widely known is that Rhodes in five previous wills left his fortune to form a secret society, which was to devote itself to the preservation and expansion of the British Empire. And what does not seem to be known to anyone is that this secret society was created by Rhodes and principal trustee, Lord Miler, and continues to exist to this day .... In his book on Rhodes' wills, he [Stead, who was a member of the inner circle wrote in one place: "Mr. Rhodes was more than the founder of a dynasty. He aspired to be the creator of one of those vast semi-religious, quasi-political associations which, like the Society of Jesus, have played so large a part in the history of the world. To be more strictly accurate, he wished to found an Order as the instrument of the will of the Dynasty."

In this secret society Rhodes was to be leader(Stead, Brett (Lord Esher), and Miner were to form an executive committee; Arthur (Lord) Balfour, (Sir) Harry Johnston, Lord Rothschild, Albert (Lord) Grey, and others were listed as potential members of a "Circle of Initiates;" while there was to be an outer circle known as the Association of Helpers" (later organized by Miler as the Round Table organization).

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... the classical pattern of political conspiracy. This was the structure that made it possible for Quigley to differentiate between an international "network" and the secret society within that network. At the center, there is always a tiny group in complete control, with one man as the undisputed leader. Next is a circle of secondary leadership that, for the most part, is unaware of an inner core. They are led to believe that they are the inner-most ring.

In time, as these conspiracies are built from the center out, they form additional rings of organization. Those in the outer echelons usually are idealists with an honest desire to improve the world. They never suspect an inner control for other purposes, and only those few who demonstrate a ruthless capacity for higher leadership are ever allowed to see it.

After the death of Cecil Rhodes, the inner core of his secret society fell under the control of Lord Alfred Milner, Governor-General and High Commissioner of South Africa. As director of a number of public banks and as corporate precursor of England's Midland Bank, he became one of the greatest political and financial powers in the world. Miler recruited into his secret society a group of young men chiefly from Oxford and Toynbee Hall and, according to Quigley:

Through his influence these men were able to win influential posts in government and international finance and became the dominant influence in British imperial and foreign affairs up to 1939 .... In 1909-1913 they organized semi-secret groups, known as Round Table Groups, in the chief British dependencies and the United States ....

Money for the widely ramified activities of this organization came chiefly from the Rhodes Trust itself, and from wealthy associates such as the Beit brothers, from Sir Abe Bailey, and (after 1915) from the Astor family ... and from foundations and firms associated with the international banking fraternity, especially the Carnegie United Kingdom Trust, and other organizations associated with J.P. Morgan, the Rockefeller and Whitney families, and the associates of Lazard Brothers and of Morgan, Grenfell, and Company ....

At the end of the war of 1914, it became clear that the organization of this system had to be greatly extended. Once again the task was entrusted to Lionel Curtis who established, in England and each dominion, a front organization to the existing local Round Table Group. This front organization, called the Royal Institute of International Affairs, had as its nucleus in each area the existing submerged Round Table Group. In New York it was known as the Council on Foreign Relations, and was a front for J.P. Morgan and Company in association with the very small American Round Table Group. 1

The Council on Foreign Relations was a spin-off from the failure of the world's leaders at the end of World War I to embrace the League of Nations as a true world government. It became clear to the master planners that they had been unrealistic in their expectations for rapid acceptance. If their plan were to be carried forward, it would have to be done on the basis of patient gradualism symbolized by the Fabian turtle. Rose Martin says:

Colonel House was only one man, where a multitude was needed. He had set the pattern and outlined goals for the future, and he still had a scheme or two in mind. In particular, he foresaw it would be necessary for the Fabians to develop a top level Anglo-American planning group in the field of foreign relations which could secretly influence policy on the one hand and gradually "educate" public opinion on the other ....

To the ambitious young Fabians, British and American, who had flocked to the peace conference [Versailles] as economists and junior officials, it soon became evident that a New World Order [League of Nations] was not about to be produced at Paris. For them, Colonel House arranged a dinner meeting at the Hotel Majestic on May 19, 1919, together with a select group of Fabian-certified Englishmen - notably, Arnold Toynbee, R.H. Tawney and John Maynard Keynes. All were equally disillusioned, for various reasons, by the consequences of the peace. They made a gentlemen's agreement to set up an organization, with branches in England and America, "to facilitate the scientific study of international questions." As a result two potent and closely related opinion-making bodies were founded .... The English branch was called the Royal Institute of International Affairs. The American branch, first known as the Institute of International Affairs, was reorganized in 1921 as the Council on Foreign Relations.

It is through this front group, called the Council on Foreign Relations, and its influence over the media, tax-exempt foundations, universities, and government agencies that the international financiers have been able to dominate the domestic and foreign policies of the United States ever since.

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The Bolshevik revolution was not a spontaneous uprising of the masses. It was planned,

financed, and orchestrated by outside... most of the money and leadership came from financiers in England and the United States... This group centered mainly around a secret society created Cecil Rhodes, one of the world's wealthiest men at the time. The purpose of that group was nothing less than world dominion and the establishment of a modern feudalist society controlled by the world's central banks. Headquartered in England, the Rhodes inner-most directorate was called the Round Table. In other countries, there were established subordinate structures called Round Table Groups. The Round-Table Group in the United States became known as the Council on Foreign Relations. The CFR, which was initially dominated by J.P. Morgan and later by the Rockefellers, is the most powerful group in America today. It is even more powerful than the federal government, because almost all of the key positions in government are held by its members. In other words, it is the United States government.

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There were two revolutions in Russia that year [1917], not one. The first, called the February Revolution, resulted in the establishment of a provisional socialist government under the leadership of Aleksandr Kerensky. It was relatively moderate in its policies and attempted to accommodate all revolutionary factions including the Bolsheviks who were the smallest minority. When the February Revolution occurred, Lenin and Trotsky were not even in Russia...

The second revolution, called the October Revolution, was the one through which the Bolsheviks came to power. It was, in fact, no revolution at all. It was a coup d'etat. The Bolsheviks simply took advantage of the confusion and indecisiveness that existed among the various groups that comprised the new government and caught them by surprise with a lightening strike of force. With a combination of bribes and propaganda, they recruited several regiments of soldiers and sailors and, in the early morning darkness of October 25, methodically took military possession of all government buildings and communication centers. No one was prepared for such audacity, and resistance was almost non-existent. By dawn, without the Russian people even knowing what had happened-much less having any voice in that action, their country had been captured by a minority faction and became the world's first so-called "people's republic." Within two days, Kerensky had fled for his life, and all Provisional Government ministers had been arrested. That is how the Communists seized Russia and that is how they held it afterward. Contrary to the Marxian myth, they have never re resented the people. They simply have the guns.

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Eugene Lyons in his book, Workers' Paradise Lost

Lenin, Trotsky, and their cohorts did not overthrow the monarchy. They overthrew the first democratic society in Russian history, set up through a truly popular revolution in March, 1917 .... They represented the smallest of the Russian radical movements .... But theirs was a movement that scoffed at numbers and frankly mistrusted the multitudes. The workers could be educated for their role after the revolution; they would not be led but driven to their terrestrial heaven...

On the brink of the dictatorship, Lenin dared to promise that the state will fade away, since "all need of force will vanish." Not at some remote future, but at once: "The proletarian state begins to wither immediately after its triumph, for in a classless society a state is unnecessary and

impossible .... Soviet power is a new kind of state, in which there is no bureaucracy, no police, no standing army." Also: "So long as the state exists, there is no freedom. When there is freedom, there will be no state."

Within a few months after they attained power, most of the tsarist practices the Leninists had condemned were revived, usually in more ominous forms: political prisoners, convictions without trial and without the formality of charges, savage persecution of dissenting views, death penalties for more varieties of crime than in any other modern nation. The rest were put into effect in the following years, including the suppression of all other parties, restoration of the internal passport, a state monopoly of the press, along with repressive practices the monarchy had outlived for a century or more.

p288
Lenin and Trotsky were not sent to Russia to overthrow the anti-Semitic Tsar. Their assignment from Wall Street was to overthrow the revolution.

p295
From the beginning of Hitler's rise to power, German industry was heavily financed by American and British bankers. Most of the largest U.S. Corporations were knowingly invested in war industries. I.G. Farben was the largest of the industrial cartels and was a primary source of political funding for Hitler. It was Farben that staffed and directed Hitler's intelligence section and ran the Nazi slave labor camps as a supplemental source of manpower for Germany's factories. Farben even hired the New York public relations firm of Ivy Lee, who was John D. Rockefeller's PR specialist, to help improve Hitler's public image in America.

p295
Much of the capital for the expansion of I.G. Farben came from Wall Street, primarily Rockefeller's National City Bank.

p295
During the Allied bombing raids over Germany, the factories and administrative buildings of I.G. Farben were spared upon instructions from the U.S. War Department. The War Department was liberally staffed with men, who in civilian life, had been associates of investment firms.

p295
During World War II, under the Lend-Lease program, the United States sent to the Soviets more than $11 billion in aid, including 14,000 aircraft, nearly half a million tanks and other military vehicles, more than 400 combat ships, and even half of the entire U.S. supply of uranium which then was critically needed for the development of the atomic bomb. But fully one-third of all the Lend-Lease shipments during this period comprised industrial equipment and supplies to be used for the development of the Russian economy after the war.

p296
With the termination of the Lend-Lease program, it was necessary to invent new mechanisms for the support of Soviet Russia and her satellites. One of these was the sale of much-needed commodities at prices below the world market and, in fact, below the prices that Americans themselves had to pay for the same items. This meant, of course-as it did in the case of Lend Lease-that the American taxpayer had to make up the difference. The Soviets were not even required to have the money to buy these goods. American financial institutions, the federal government, and international agencies, which are largely funded by the federal government, such as the International Monetary Fund and the World Bank-lent the money to them.

Furthermore, the interest rates on these loans also are below the market requiring still additional subsidy by American citizens. And that is not all. Almost all of these loans have been guaranteed by the United States government, which means that if-no, make that when-these countries default in their payments, the gullible American public is once again called upon to make them good. In other words, the new mechanism, innocently and deceptively referred to as "trade," is little more than a thinly disguised means by which members of the Round Table who direct our national policies have bled billions of dollars from American citizens for an ongoing economic transfusion into the Soviet bloc-and continue to do so now that the word Soviet has been changed to the less offensive Democratic Socialism. This enables those regimes to enter into contracts with American businessmen to provide essential services. And the circle is complete: From the American taxpayer to the American government to the "socialist" regime to the American businessman and, ultimately, to the American financier who funded the project and provided the political influence to make it all possible.

p297
These men [members of the Round Table network/the world's money-power structure] are incapable of genuine patriotism. They think of themselves, not as citizens of any particular country, but as citizens of the world. They can do business just as easily with bloodthirsty dictatorships as with any other government-especially since they are assured by the transfer mechanism that the American taxpayer is going to make good on the deal.

When David Rockefeller was asked about the propriety of providing funding for Marxist and Communist countries which are openly hostile to the United States, he responded: "I don't think an international bank such as ours ought to try to set itself as a judge about what kind of government a country wishes to have."

Wishes to have? He was talking about Angola where the Marxist dictatorship was forced upon the people with Cuban soldiers and Soviet weapons!

Thomas Theobald, Vice President of Citicorp was asked in 1981 about his bank's loans to Poland. Was he embarrassed by making loans to a Communist country, especially following the regime's brutal repression of free-trade unions? Not at all. "Who knows which political system works?" he replied. "The only test we care about is, can they pay their bills." What he meant, of course, was can the American taxpayer pay Poland's bills.

p302
In the beginning, the Council on Foreign Relations was dominated by J.P. Morgan. It is still controlled by international financiers. The Morgan group gradually has been replaced by the Rockefeller consortium, and the roll call of participating businesses now reads like the Fortune 500.

p303
The alchemists of ancient times vainly sought the philosopher' stone which they believed would turn lead into gold. Is it possible that such a stone actually has been found? Can it be that the money alchemists of our own time have learned how to transmute war into debt, and debt into war, and both into gold for themselves?

p303
We theorized a strategy, dubbed the Rothschild Formula, in which the world's money cabal deliberately encourages war as a means of stimulating the profitable production of armaments and of keeping nations perpetually in debt.

p304
In the Gulf War, every effort was made to insure that [Saddam] Hussein's regime was contained but not destroyed... His military infrastructure and most of his weapons were spared. After the cease fire, he was allowed to keep his fleet of helicopter gunships, which he promptly used to put down a large-scale internal revolt.

The big pill to swallow is that, for many years, Hussein was an asset to the global planners in the West, and they did everything possible to keep him in power. It was only when he refused to allow U.S. companies to dominate Iraqi oil production that he was seriously targeted. Prior to that, he was untouchable precisely because he was widely perceived as a perfect, despicable enemy.

p304
Fareed Zakaria, Managing Editor of the Council on Foreign Relations' (CFR) journal, Foreign Affairs, in 1996

It's tempting to get rid of Saddam. But his bad behavior actually serves America's purposes in the region .... If Saddam Hussein did not exist, we would have to invent him .... The end of Saddam Hussein would be the end of the anti-Saddam coalition. Nothing destroys an alliance like the disappearance of the enemy .... Maintaining a long-term American presence in the gulf would be difficult in the absence of a regional threat.

p305
Council on Foreign Relations (CFR) policymakers ... are implementing the Rothschild Formula. To justify world government, there must be wars. Wars require enemies with frightful weapons is one of the best enemies money can buy.

p305
There are few historians who would challenge the fact that the funding of World War I, World War II, the Korean War, and the Vietnam War was accomplished ... through the Federal Reserve System. An overview of all wars since the establishment of the Bank of England in 1694 suggests that most of them would have been greatly reduced in severity, or perhaps not even fought at all, without fiat money. It is the ability of governments to acquire money without direct taxation that makes modern warfare possible, and a central bank has become the preferred method of accomplishing that.

p306
The Bolshevik Revolution was a coup d'etat in which a radical minority captured the Russian government from the moderate revolutionary majority. The Red Cross Mission of New York financiers threw support to the Bolsheviks and, in return, received economic rewards in the form of rights to Russia's natural resources plus contracts for construction and supplies. The continued participation in the economic development of Russia and Eastern Europe since that time indicates that this relationship has survived to the present day. These financiers are not pro-Communist. Their motivation is profit and power. They are now working to bring both Russia and the United States into a world government which they expect to control. War and threats of war are tools to prod the masses toward the acceptance of that goal. It is essential, therefore, that the United States and the industrialized nations of world have credible enemies. As these words are being written, Russia is wearing the mask of peace and cooperation. But we

have seen that before. We may yet see a return of the Evil Empire when the timing is right. U.S. government and megabank funding, first of Russian, and now of Chinese and Middle-East military capabilities, cannot be understood without this insight.

p339
America had its first central bank even before the Constitution was drafted. It was called the Bank of North America and was chartered by the Continental Congress in 1781. Modeled after the Bank of England, it was authorized to issue more paper promissory notes than it held in deposits. In the beginning, these notes were widely circulated and served as a national currency. Although the bank was essentially a private institution, it was designed for the purpose of creating money to lend to the federal government, which it did from the start.

The Bank of North America was riddled with fraud, and it quickly fell into political disfavor. Its inflated bank notes eventually were rejected by ordinary citizens and ceased to circulate outside of the Bank's home city of Philadelphia. Its charter was allowed to expire and, in 1783, it was converted into a purely commercial bank chartered by the state of Pennsylvania.

The advocates of fiat money did not give up. In 1791, the First Bank of the United States (America's second central bank) was created by Congress. The new bank was a replica of the first, including fraud. Private investors in the Bank were among the nation's most wealthy and influential citizens, including some Congressmen and Senators. But the largest investment and the most powerful influence in the new Bank came from the Rothschilds in Europe.

The Bank set about immediately to serve its function of creating money for the government. This led to a massive inflation of the money supply and rising prices. In the first five years, 42% of everything people had saved in the form of money was confiscated through the hidden tax called inflation. This was the same phenomenon that had plagued the colonies less than two decades earlier, but instead of being caused by printing-press money, it was now fueled by fractional-reserve bank notes created by a central bank.

As the time for renewal of the Bank's charter approached, two groups with opposite intentions became strange political allies against it: the Jeffersonians who wanted sound money; and the frontier banks, called wildcatters, who wanted unlimited license to steal. On January 24, 1811, the charter was defeated by one vote in the Senate and one in the House. The central bank was gone, but the wildcatters were everywhere.

The War of 1812 was not popular among the American public, and funding would have been impossible through taxes alone. The government chose to fund the war by encouraging wildcat banks to purchase its war-debt bonds and convert them into bank notes which the government then used to purchase war material. Within two years, the nation's money supply had tripled, and so had prices. Once again, the monetary and political scientists had succeeded in fleecing the American public of approximately 66% of all the money they held during that period. And that was on top of the 42% fleecing they got a few years earlier by the Bank of the United States.

p359
The government had encouraged widespread banking fraud during the War of 1812 as an expedient for paying its bills, and this had left the nation in monetary chaos. At the end of the war, instead of allowing the fraudulent banks to fall and letting the free market heal the damage, Congress decided to protect the banks, to organize the fraud, and to perpetuate the losses. It did this by creating the nation's third central bank called the Second Bank of the United States.

The new bank was almost an exact carbon copy of the previous one. It was authorized to create money for the federal government and to regulate state banks. It influenced larger amounts of capital and was better organized across state lines than the old bank. Consequently its policies had a greater impact on the creation and extinguishing of the nation's money supply. For the first time in our history, the effects began to ricochet across the entire country at once instead of being confined to geographical regions. The age of the boom-bust cycle had at last arrived in America.

In 1820, public opinion began to swing back in favor of the sound-money principles espoused by the Jeffersonian Republicans. But since the Republican Party had by then abandoned those principles, a new coalition was formed, headed by Martin Van Buren and Andrew Jackson, called the Democrat Party. One of its primary platforms was the abolishment of the Bank. After Jackson was elected in 1828, he began in full earnest to bring that about.

The head of the Bank was a formidable adversary by the name of Nicholas Biddle. Biddle, not only possessed great personal abilities, but many members of Congress were indebted to him for business favors. Consequently, the Bank had many political friends.

As Jackson's first term of office neared its end, Biddle asked Congress for an early renewal of the Bank's charter, hoping that Jackson would not risk controversy in a reelection year. The bill was easily passed, but Jackson accepted the challenge and vetoed the measure. Thus, a battle over the Bank's future became the primary presidential campaign issue.

Jackson was reelected by a large margin, and one of his first acts was to remove federal deposits from the Bank and place them into private, regional banks. Biddle counterattacked by contracting credit and calling in loans. This was calculated to shrink the money supply and trigger a national panic-depression, which it did. He publicly blamed the downturn on Jackson's removal of deposits.

The plan almost worked. Biddle's political allies succeeded in having Jackson officially censured in the Senate. However, when the truth about Biddle's strategy finally leaked out, it backfired against him. He was called before a special Congressional investigative committee to explain his actions, the censure against Jackson was rescinded, and the nation's third central bank passed into oblivion.

p375
The Second Bank of the United States was dead, but banking was very much alive. Many of the old problems continued, and new ones arrived. The issuance of banknotes had been severely limited, but that was largely offset by the increasing use of checkbook money, which had no limits at all on its issue.

When The Second Bank of the U.S. slipped into history, the nation was nearing the end of the boom phase of a boom/bust cycle. When the inevitable contraction of the money supply came, politicians began to offer proposals on how to infuse stability into the banking system. None dealt with the real problem, which was fractional-reserve banking itself. They concentrated instead on proposals on how to make it work. All of these proposals were tried and they failed.

These years are sometimes described as a period of free banking, which is an insult to truth. All that happened was that banks were converted from corporations to private associations, a change in form, not substance. They continued to be burdened by government controols,

regulations, supports, and other blocks against the free market.

The economic chaos and conflict of this period was a major cause of the Civil War. Lincoln made it clear during his public speeches that slavery was not the issue. The basic problem was that North and South were dependent on each other for trade. The industrialized North sold its products to the South which sold its cotton to the North. The South also had a similar trade with Europe, and that was an annoyance to the North. Europe was selling many products at lower prices, and the North was losing market share. Northern politicians passed protectionist legislation putting import duties on industrial products. This all but stopped the importation of European goods and forced the South to buy from the North at higher prices. Europe retaliated by curtailing the purchase of American cotton. That hurt the South even more. It was a classic case of legalized plunder, and the South wanted out.

Meanwhile, there were powerful forces in Europe that wanted to see America embroiled in civil war. If she could be split into two hostile countries, there would be less obstacle to European expansion on the North American continent. France was eager to capture Mexico and graft it onto a new empire which would include many of the Southern states as well. England, on the other hand, had military forces poised along the Canadian border ready for action. Political agitators, funded and organized from Europe, were active on both sides of the Mason-Dixon line. The issue of slavery was but j a ploy. America had become the target in a ruthless game of world economics and politics.

p395
America's bloodiest and most devastating war [Civil War] was fought, not over the issue of freedom versus slavery, but because of clashing economic interests. At the heart of this conflict were questions of legalized plunder, banking monopolies, and even European territorial expansion into Latin America. The boot print of the Rothschild formula is unmistakable across the graves of American soldiers on both sides.

In the North, neither greenbacks, taxes, nor war bonds were enough to finance the war. So a national banking system was created to convert government bonds into fiat money, and the people lost over half of their monetary assets to the hidden tax of inflation. In the South, printing presses accomplished the same effect, and the monetary loss was total.

The issuance of the Emancipation Proclamation by Lincoln and the naval assistance offered by Tsar Alexander, II, were largely responsible for keeping England and France from intervening in the war on the side of the Confederacy. Lincoln was assassinated by a member of the Knights of the Golden Circle, a secret society with rumored ties to American politicians and British financiers. Tsar Alexander was assassinated a few years later by a member of the People's Will, a Nihilist secret society in Russia with rumored ties to financiers in New York City, specifically, Jacob Schiff and the firm of Kuhn, Loeb & Company.

As for the Creature of central banking, there had been some victories and some defeats. The greenbacks had for a while deprived the bankers of their override on a small portion of government debt, but the National Banking Act quickly put a stop to that. Furthermore, by using government bonds as backing for the money supply, it locked the nation into perpetual debt. The foundation was firmly in place, but the ultimate structure still needed to be erected. The monetary system was yet to be concentrated into one central-bank mechanism, and the control was yet to be taken away from the politicians and placed into the hands of the bankers themselves.

The Harvest excerpted from the book The Creature from Jekyll Island a second look at the Federal Reserve by G. Edward Griffin thirdworldtraveler.com

p428
It is one of the least understood realities of modem history that many of America's most prominent political and financial figures - then as now - have been willing to sacrifice the best interests of the United States in order to further their goal of creating a one-world government. The strategy has remained unchanged since the formation of Cecil Rhodes' society and its offspring, the Round Table Groups. It is to merge the English-speaking nations into a single political entity, while at the same time creating similar groupings for other geopolitical regions. After this is accomplished, all of these groupings are to be amalgamated into a global government, the so-called Parliament of Man.

p428
Andrew Carnegie in his book, 'Triumphant Democracy', expressing concern that England was in decline as a world power

Reunion with her American children is the only sure way to prevent continued decline [England] .... Whatever obstructs reunion oppose; whatever promotes reunion favor. I judge all political questions from this standpoint...

The Parliament of Man and the Federation of the World have already been hailed by the poet, and these mean a step much farther in advance of the proposed reunion of Britain and America .... I say that as surely as the sun in the heavens once shone upon Britain and America united, so surely is it one morning to rise, shine upon, and greet again the reunited state, "The British-American Union".

p429
After the Civil War, America experienced a series of expansions and contractions of the money supply leading directly to economic booms and busts. This was the result of the creation of fiat money by a banking system which, far from being free and competitive, was a half-way house to central banking. Throughout the chaos, one banking firm, the House of Morgan, was able to prosper out of the failure of others. Morgan had close ties with the financial structure and culture of England and was, in fact, more British than American. Events suggest the possibility that Morgan and Company was in concealed partnership with the House of Rothschild throughout most of this period.

Benjamin Strong was a Morgan man and was appointed as the first Governor of the Federal Reserve Bank of New York which rapidly assumed dominance over the System. Strong immediately entered into close alliance with Montagu Norman, Governor of the Bank of England, to save the English economy from depression. This was accomplished by deliberately creating inflation in the U.S. which caused an outflow of gold, a loss of foreign markets, unemployment, and speculation in the stock market, all of which were factors that propelled America into the crash of 1929 and the great depression of the 30s.

... the same forces were responsible for American involvement in both world wars to provide the economic and military resources England needed to survive. Furthermore, the key players in this action were men who were part of the network of a secret society established by Cecil Rhodes for the expansion of the British empire.

p433
Between 1900 and 1910, seventy per cent of American corporate growth was funded internally, making industry increasingly independent of the banks at the bankers wanted-and what many businessmen wanted also-was a more "flexible" or "elastic" money supply which would allow them to create enough of it at any point in time so as to be able to drive interest rates downward at will. That would make loans to businessmen so attractive they would have little choice but to return to the bankers' stable.

p433
The concept of trusts and cartels had dawned in America and, to those who already had made it to the top, joint ventures, market sharing, price fixing, and mergers were far more profitable than free-enterprise competition. Ron Chernow explains:

Wall Street was snowballing into one big, Morgan-dominated institution] In December 1909, Pierpont had bought a majority stake in the Equitble Life Assurance Society from Thomas Fortune Ryan. This gave him strong influence over America's three biggest insurance companies-Mutual Life, Equitable, and New York Life .... His Bankers Trust had taken over three other banks. In 1909, he had gained control of Guaranty Trust, which through a series of mergers he converted into America's largest trust .... The core Money Trust group included J.P. Morgan and Company, First National Bank, and National City Bank ....

Wall Street bankers incestuously swapped seats on each others boards. Some banks had so many overlapping directors it was hard to separate them .... The banks also shared large equity stakes in each other ....

Why didn't banks just merge instead of carrying out the charade of swapping shares and board members? ... The answer harked back to traditional American antipathy against concentrated financial power. The Morgan-First National-National City trio feared public retribution if it openly declared its allegiance.

... As these combines became larger and larger, ways were sought to bring them together at the top rather than to capture the corporate entities which comprised them. Thus was born the concept of a cartel, a "community of interest" among businessmen in the same field, a mechanism for coming together as partners at a high level and to reduce or eliminate altogether the harsh necessity of competition.

p434
Henry P Davison, a J.P. Morgan partner, told a Congressional committee in 1912

I would rather have regulation and control than free competition.

p434
John D. Rockefeller

Competition is a sin.

p435
John Moody, 1919

This remarkable welding together of great corporate interests could not, of course, have been

accomplished if the "masters of capital" in Wall Street had not themselves during the same period become more closely allied... Although the two great groups of financiers represented on the one hand by Morgan and his allies and on the other by the Standard Oil forces, were still distinguishable, they were now working in practical harmony on the basis of a sort of mutual "community of interest" of their own. Thus the control of capital and credit through banking resources tended to become concentrated in the hands of fewer and fewer men .... Before long it could be said, indeed, that two rival banking groups no longer existed, but that one vast and harmonious banking power had taken their place.

p436
The monetary contractions of 1879 and 1893 were handled by Wall Street fairly easily and without government intervention, but the crisis of 1907 pushed their resources close to the abyss. It became clear that two changes had to be made: all remnants of banking competition now had to be totally eliminated and replaced by a national cartel; and far greater sums of fiat money had to be made available to the banks to protect them from future runs by depositors. There was now no question that Congress would have to be brought in as a partner in order to use the power of government to accomplish these objectives.

p437
Seven men, representing one-fourth of the wealth of the world [met] on Jekyll Island to work out a plan to achieve five primary objectives

1. How to stop the growing influence of small, rival banks and to insure that control over the nation's financial resources would remain in the hands of those present;

2. How to make the money supply more elastic in order to reverse the trend of private capital formation and to recapture the industrial loan market;

3. How to pool the meager reserves of all the nation's banks into one large reserve so that at least a few of them could protect themselves from currency drains and bank runs;

4. How to shift the inevitable losses from the owners of the banks to the taxpayers;

5. How to convince Congress that the scheme was a measure to protect the public.

p438
To convince Congress and the public that the establishment of a banking cartel was, somehow, a measure to protect the public, the Jekyll Island strategists laid down the following plan of action:

1. Do not call it a cartel nor even a central bank.

2. Make it look like a government agency.

3. Establish regional branches to create the appearance of decentralization, not dominated by Wall Street banks.

4. Begin with a conservative structure including many sound banking principles knowing that the provisions can be quietly altered or removed in subsequent years.

5. Use the anger caused by recent panics and bank failures to create popular demand for

monetary reform.

6. Offer the Jekyll Island plan as though it were in response to that need.

7. Employ university professors to give the plan the appearance of academic approval.

8. Speak out against the plan to convince the public that Wall Street bankers do not want it.

p438
Americans would never have accepted the Federal Reserve System if they had known that it was half cartel and half central bank. Even though the concept of government protectionism was rapidly gaining acceptance in business, academic, and political circles, the idea of cartels, trusts, and restraint of free competition was still quite alien to the average voter. And within the halls of Congress, any forthright proposal for either a cartel or a central bank would have been soundly defeated.

p439
If not using the word bank was essential to the Jekyll Island plan, avoiding the word cartel was even more so. Yet, the cartel nature of the proposed central bank was obvious to any astute observer. In an address before the American Bankers Association, Aldrich laid it out plainly. He said: "The organization proposed is not a bank, but a cooperative union of all the banks of the country for definite purposes." Two years later, in a speech before that same group of bankers, A. Barton Hepburn of Chase National Bank , was even more candid. He said: "The measure recognizes and
adopts the principles of a central bank. Indeed, it works out as the sponsors of the law hope, it will make all incorporated banks together joint owners of a central dominating power." It would be difficult to find a better definition of the word cartel than that.

The plan to structure the Creature conservatively at the start and then to remove the safeguards later was the brainchild of Paul Warburg. The creation of a powerful Federal Reserve Board was also his idea as a means by which the regional branches could be absorbed into a central bank with control safely in New York.

p441
It is true that the Federal Reserve was to be a private institution, but it is certainly not true that this was to mark the disappearance of the government from 4 the banking business. In fact, it was just the opposite, because it f marked the appearance of the government as a partner with private bankers and as the enforcer of their cartel agreement.

p443
Congressman Charles Lindbergh

Ever since the Civil War, Congress has allowed the bankers to completely control financial legislation. The membership of the Finance Committee in the Senate and the Committee on Banking and Currency in the House, has been made up of bankers, their agents and attorneys. These committees have controlled the nature of the bills to be reported, the extent of them, and the debates that were to be held on "I them when they were being considered in the Senate and the House. No one, not on the committee, is recognized ... unless someone favorable to the committee has been arranged for.

p447

In 1902 [Woodrow Wilson] he had been elected as the president of Princeton University, a position he could not have held without the concurrence of the University's benefactors among Wall Street bankers. He was particularly close with Andrew Carnegie and had become a trustee of the Carnegie Foundation.

Two of the most generous donors were Cleveland H. Dodge and Cyrus McCormick, directors of Rockefeller's National City Bank. They were part of that Wall Street elite which the Pujo Committee had described as America's "Money Trust." Both men had been Wilson's classmates at Princeton University. When Wilson returned to Princeton as a professor in 1890, Dodge and McCormick were, by reason of their wealth, University trustees, and they took it upon themselves to personally advance his career. Ferdinand Lundberg, in America's Sixty Families, says this:

For nearly twenty years before his nomination Woodrow Wilson had moved in the shadow of Wall Street .... In 1898 Wilson, his salary unsatisfactory, besieged with offers of many university presidencies, threatened to resign. Dodge and McCormick thereupon constituted themselves his financial guardians, and agreed to raise the additional informal stipendium that kept him at Princeton. The contributors to this private fund were Dodge, McCormick, and Moses Taylor Pyne and Percy R. Pyne, of the family that founded the National City Bank. In 1902 this same group arranged Wilson's election as president of the university.

A grateful Wilson often had spoken in glowing terms about the rise of vast corporations and had praised J.P. Morgan as a great American leader. He also had come to acceptable conclusions about the value of a controlled economy. "The old time of individual competition is probably gone by," he said. "It may come back; I don't know; it will not come back within our time, I dare say."

p448
H.S. Kenan

Woodrow Wilson, President Of Princeton University, was the first prominent educator to speak in favor of the Aldrich Plan, a gesture which immediately brought him the Governorship of New Jersey and later the Presidency of the United States. During the panic of 1907, Wilson declared that: "all this trouble could be averted if we appointed a committee of six or seven public-spirited men like J.P. Morgan to handle the affairs of our country."

p449
Banking in the period immediately prior to passage of the Federal Reserve Act was subject to a myriad of controls, regulations, subsidies, and privileges at both the federal and state levels. Popular history portrays this period as one of unbridled competition and free banking. It was, in fact, a half-way house to central banking. Wall Street, however, wanted more government participation. The New York bankers particularly wanted a "lender of last resort" to create unlimited amounts of fiat money for their use in the event they were exposed to bank runs or currency drains. They also wanted to force all banks to follow the same inadequate reserve policies so that me cautious ones would not draw down the reserves of the others. An additional objective was to limit the growth of new banks in the South and West.

This was a time of growing enchantment with the idea of trusts and cartels. For those who had already made it to the top, competition was considered chaotic and wasteful. Wall Street was snowballing into two major banking groups: the Morgans and the Rockefellers, and even they had largely ceased competing with each other in favor of cooperative financial structures. But

to keep these cartel combines from flying apart, a means of discipline was needed to force the participants to abide by the agreements. The federal government was brought in as a partner to serve that function.

To sell the plan to Congress, the cartel reality had to be hidden and the name "central bank" had to be avoided. The word Federal was chosen to make it sound like it was a government operation; the word Reserve was chosen to make it appear financially sound; and the word System (the first drafts used the word Association) was chosen to conceal the fact that it was a central bank. A structure of 12 regional institutions was conceived as a further ploy to create the illusion of decentralization, but the mechanism was designed from the beginning to operate as a central bank closely modeled after the Bank of England.

p454
the monetary scientists carefully selected their candidate [Woodrow Wilson] - and set about to clear the way for his victory. The maneuver was brilliant. Who would suspect that Wall Street would support a Democrat, especially when the Party platform contained this plank: "We oppose the so-called Aldrich Bill or the establishment of a central bank; and ... what is known as the money trust."

What irony it was. The Party of the working man, the Party of Thomas Jefferson - formed only a few generations earlier for the specific purpose of opposing a central bank - was now cheering a new leader [Woodrow Wilson] who was a political captive of Wall Street bankers and who had agreed to the hidden agenda of establishing the Federal Reserve System.

p454
William McAdoo, Woodrow Wilson' s national campaign vice-chairman

The fact is that there is a serious danger of this country becoming a pluto-democracy; that is, a sham republic with the real government in the hands of a small clique of enormously wealthy men, who speak through their money, and whose influence, even today, radiates to every corner of the United States.

p455
Ron Chernow

Although the [Theodore] Roosevelt-[J.P.] Morgan relationship is sometimes caricatured as that of trust buster versus trust king, it was far more complex than that. The public wrangling obscured deeper ideological . affinities.... Roosevelt saw trusts as natural, organic outgrowths of economic development. Stopping them, he said, was like trying to dam the Mississippi River. Both [Theodore] Roosevelt and [J.P.] Morgan disliked the rugged, individualistic economy of the nineteenth century and favored big business .... In the sparring between Roosevelt and Morgan there was always a certain amount of shadow play, a pretense of greater animosity than actually existed .... Roosevelt and Morgan were secret blood brothers.

p455
Both [Woodrow] Wilson and [Theodore] Roosevelt played their roles to the hilt. Privately financed by Wall Street's most powerful bankers, they publicly carried a flaming crusade against the "Money Trust" from one end of the country to the other.

... Throughout the campaign, [William Howard] Taft was portrayed as the champion of big business and Wall Street banks- - which, of course, he was. But so were Roosevelt and Wilson.

... The outcome of the election was exactly as the strategists had anticipated. Wilson won with only forty-two per cent of the popular vote, which means, of course, that fifty-eight per cent had been cast against him. Had Roosevelt not entered the race, most of his votes undoubtedly would have gone to Taft, and Wilson would have become a footnote. As Colonel House confided to author George Viereck years later, "Wilson was elected by Teddy Roosevelt".

p466
Paul Warburg

While technically and legally the Federal Reserve note is an obligation, of the United States Government, in reality it is an obligation, the sole actual responsibility for which rests on the reserve banks .... The government could only be called upon to take them up after the reserve banks had failed.

Warburg's explanation should be carefully analyzed. It is an incredibly important statement. The man who masterminded the Federal Reserve System is telling us that Federal Reserve notes constitute privately issued money with the taxpayers standing by to cover the potential losses of those banks which issue it. One of the more controversial assertions of this book is that the objectives set forth at the Jekyll Island meeting included the shifting of the cartel's losses from the owners of the banks to the taxpayers.

p468
President [William Howard] Taft, although a Republican spokesman for big business, refused to champion the Aldrich Bill for a central bank. This marked him for political extinction. The Money Trust wanted a President who would aggressively promote the bill, and the man selected was Woodrow Wilson who had already publicly declared his allegiance. Wilson's nomination at the Democratic national convention was secured by Colonel House, a close associate of Morgan and Warburg. To make sure that Taft did not win his bid for reelection, the Money Trust encouraged the former Republican President, Teddy Roosevelt, to run on the Progressive ticket. The result, as planned, was that Roosevelt pulled away Republican support from Taft, and Wilson won the election with less than a majority vote. Wilson and Roosevelt campaigned vigorously against the evils of the Money Trust while, all along, being I dependent upon that same Trust for campaign funding.

p472
In 1913, public distaste for concentration of financial power in the hands of a few Wall Street banks helped to fuel the fire for passage of the Federal Reserve Act. To make it appear that the new System would put an end to the New York "money trust," as it was called, the public was told that the Federal Reserve would not represent any one group or one region. Instead, it would have its power diffused over twelve regional Federal Reserve Banks, and none would be able to dominate.

... The United States entry into World War I provided the impetus for increasing the power of the Fed. The System became the sole fiscal agent of the Treasury, Federal Reserve Notes were issued, virtually all of the gold reserves of the nation's commercial banks were gathered together into the vaults of the Federal System, and many of the legislative restraints placed into the original Act were abandoned. Voters ask fewer questions when their nation is at war.

The concentration of power into the hands of the very "money trust" the Fed was supposed to defeat, is described by Ferdinand Lundberg, author of America's Sixty Families:

In practice, the Federal Reserve Bank of New York became the fountainhead of twelve regional banks, for New York was the money market of the nation. The other eleven banks were so many expensive mausoleums erected to salve the local pride and quell the Jacksonian fears of the hinterland. Benjamin Strong,... president of the Bankers Trust Company [J.P. Morgan] was selected as the first Governor of the New York Reserve Bank. An adept in high finance, Strong for many years manipulated the country's monetary system at the discretion of directors representing the leading New York banks. Under Strong the Reserve System, unsuspected by the nation, was brought into interlocking relations with the Bank of England and the Bank of France.

p473

It was the interlock [U.S. Federal Reserve, the Bank of England, and the Bank of France] during World War I that was responsible or the confiscation from American taxpayers of billions of dollars which were given to the central banks of England and France. Much of that money found its way to the associates of J.P. Morgan as interest payments on war bonds and as fees for supplying munitions and other war materials.

Seventy percent of the cost of World War I was paid by inflation rather than taxes, a process that was orchestrated by the Federal Reserve System. This was considered by the Fed's supporters as its first real test, and it passed with flying colors. American inflation during that period was only slightly less than in England, which had been more deeply committed to war and for a longer period of time. That is not surprising inasmuch as a large portion of Europe's war costs had been transferred to the American taxpayers.

After the war was over [World War I], the transfusion of American dollars continued as part of a plan to pull England out of depression. The methods chosen for that transfer were artificially low interest rates and a deliberate inflation of the American money supply. That was calculated to weaken the value of the dollar relative to the English pound and cause gold reserves to move from America to England.

p475
International money managers may be citizens of a particular country but, to many of them, that is a meaningless accident of birth. They consider themselves to be citizens of the world first. They speak of affection for all mankind, but their highest loyalty is to themselves and their profession.

p475
Professor [Carroll] Quigley

It must not be felt that these heads of the world's chief central banks [the governors of the Bank of England and the Federal Reserve] were themselves substantive powers in world finance. They were not. Rather, they were the technicians and agents of the dominant investment bankers of their own countries, who had raised them up and were perfectly capable of throwing them down. The substantive financial powers of the world were in the hands of these investment bankers (also called "international" or "merchant" bankers who remained largely behind the scenes in their own unincorporated private banks. These formed a system of international cooperation and national dominance which was more private, more powerful, and more secret than that of their agents in the central banks.

p475
Politicians come and go, but those who wield the power of money remain to pick their successors.

p476
Congressman Charles Lindberg, Sr.

Under the Federal Reserve Act, panics are scientifically created.

p484
The war years [World War I] were largely a period of testing new strategies and consolidating power. Ironically, it was not until after the war-when there was no longer a justification for deficit spending-that government debt became plentiful. Up until World War I, annual federal expenses had been running about $750 million. By the end of the war, it was running $18 and-a-half billion, an increase of 2,466%. Approximately 70% of the cost of war had been financed by debt. Murray Rothbard reminds us that, on the eve of depression in 1928, ten years after the end of war, the banking system held more government bonds than during the war itself. That means the government did not pay off those bonds when they came due. Instead, it rolled them over by offering new bonds to replace the old. Why? Was it because Congress needed more money? No. The bonds had become the basis for money in circulation and, if they had been redeemed, the money supply would have decreased. A decrease in the money supply is viewed by politicians and central bankers as a threat to economic stability. Thus, the government found itself unable to get out of debt even when it had the money to do so, a dilemma that continues to this day.

p486
By the end of the war [World War I], Congress had awakened to the fact that it could use the Federal Reserve System to obtain revenue without taxes. From that point forward, deficit spending became institutionalized.

p491
Responding to herd instinct and a belief in the possibility of something-for-nothing, men were driven to the most bizarre form of investment speculation.

One of the most graphic examples occurred in Holland between the years 1634 and 1636. It came to pass that a new, rare flower, called the tulip, was discovered in the gardens of some of the more wealthy inhabitants of Constantinople, now known as Istanbul. When the root bulbs of these exotic blossoms were brought into Holland, they rapidly became a status symbol among the wealthy-much as race horses or rare breeds of dogs are today in our own society-and those with surplus funds found that an investment in tulips brought them significant social recognition.

The price of tulip bulbs climbed steadily until they became, not merely symbols of status, but speculative investments as well. At one point, prices doubled every few days, and speculators were seen everywhere amassing great fortunes with no input of either labor or service. Many otherwise prudent people found themselves infected by the hysteria. They borrowed against their homes and invested their life savings to get in on the anticipated windfall. This pushed up prices even further and tended to create the fulfillment of its own prophecy. Contracts for the future delivery of tulip bulbs-a form of today's commodity market-became a dominant feature of Holland's stock market.

Tulip bulbs eventually became more precious than gemstones.

... Then, one day without warning, reality returned from her j two-year vacation. By that time, everyone knew deep in their hearts that the spiraling prices bore no honest relationship to the value of the tulips and that, sooner or later, someone was going to get hurt. But they continued to speculate for fear of being too quick in their timing and losing out on profits yet to come. Everyone was confident they would sell out precisely at the top of the market. In any herd, however, there are always a few who will take the lead and, by 1636, all it took was one or two prominent merchants to sell out their stock. Overnight, there were no buyers whatsoever, at any price. The tulip market vanished, and speculators by the thousands saw their dreams of easy wealth-and, in many cases, their life savings also-disappear with it. Tulipomania, as it was called at the time, had come to an end.

p493
During the final phase of America's credit expansion of the 1920s, the rise in prices on the stock market was entirely speculative. Buyers did not care if their stocks were overpriced compared to the dividends they paid. Commonly traded issues were selling for 20 to 50 times their earnings; some traded at 100. Speculators acquired stock merely to hold for a while and then sell at a profit. It

Was the "Greater-Fool" strategy. No matter how high the price is today, there will be a greater fool tomorrow who will buy at an even higher price. For a while, that strategy seemed to work.

... From August of 1921 to September of 1929, the Dow-Jones industrial stock-price average went 63.9 to 381.17, a rise of 597%. Credit was abundant, loans were cheap, profits were big.

p495
It is not unreasonable to surmise that the central bankers had come to the conclusion [February 1929] that the [stock market] bubble - not only in America, but in Europe - was probably going to rupture very soon. Rather than fight it, as they had in the past, it was time to stand back and let it happen, clear out the speculators, and return the markets to reality. As [John Kenneth] Galbraith put it: "How much better, as seen from the Federal Reserve, to let nature take its course and thus allow nature to take the blame."

[Andrew] Mellon was even more emphatic. Herbert Hoover described Mellon's views as follows:

Mr. Mellon had only one formula: "liquidate labor, liquidate stocks, liquidate the farmers, liquidate real estate." He insisted that, when the people get an inflation brainstorm, the only way to get it out of their blood is to let it collapse. He held that even a panic was not altogether a bad thing. He said: "It will purge the rottenness out of the system. High costs of living and high living will come down. People will work harder, live a moral life. Values will be adjusted, and enterprising people will pick up the wrecks from less competent people."

p496
On February 6, the Federal Reserve issued an advisory to its member banks to liquidate their holdings in the stock market. The following month, Paul Warburg gave the same advice in the annual report to the stockholders of his International Acceptance Bank. He explained the reason for that advice:

If the orgies of unrestrained speculation are permitted to spread, the ultimate collapse is certain not only to affect the speculators themselves, but to bring about a general depression

involving the entire country.

Paul Warburg was a partner with Kuhn, Loeb & Co. which maintained a list of preferred customers. These were fellow bankers, wealthy industrialists, prominent politicians, and high officials in foreign governments. A similar list was maintained at J.P. Morgan Co... The men on these lists were notified of the coming crash.

John D. Rockefeller, J.P. Morgan, Joseph P. Kennedy, Bernard Baruch, Henry Morganthau, Douglas Dillon-the biographies of all the Wall Street giants at that time boast that these men were "wise" enough to get out of the stock market just before the Crash. And it is true. Virtually all of the inner club was rescued. There is no record of any member of the interlocking directorate between the Federal Reserve, the major New York banks, and their prime customers having been caught by surprise.

p497
President [Calvin] Coolidge and Treasury Secretary Mellon had been vociferous in their public utterances that the economy was in better shape than ever... And, from the plush offices of his New York Federal Reserve Bank, Benjamin Strong boasted:

The very existence of the Federal Reserve System is a safeguard against anything like a calamity growing out of money rates .... In former days the psychology was different, because the facts of the banking situation were different. Mob panic, and consequently mob disaster, is less likely to arise.

The public was comforted, and the balloon continued to expand. It was now time to sharpen the pin.

p498
On August 9 [1929] ... the Federal Reserve Board reversed its easy-credit policy and raised the discount rate to six per cent. A few days later, the Bank of England raised its rate also. Bank reserves in both countries began to shrink and, along with them, so did the money supply. Simultaneously, the System began to sell securities in the open market, a maneuver that also contracts the money supply. Call rates on margin loans had jumped to fifteen, then twenty percent.

p499
The securities market reached its high point on September 19. Then, it began to slide. The public was not yet aware that the end had arrived. The roller coaster had dipped before. Surely it would shoot upward again. For five more weeks, the public bought heavily on the way down. More than a million shares were traded during that period. Then, on Thursday, October 24, like a giant school of fish suddenly turning direction in response to an unseen signal, thousands of investors stampeded to sell. The ticker tape was hopelessly overloaded. Prices tumbled. Thirteen million shares exchanged hands. Everyone said the bottom had dropped out of the market. They were wrong. Five days later, it did.

On Tuesday, October 29, the exchanges were crushed by an avalanche of selling. At times there were no buyers at all. By the end of the trading session, over sixteen million shares had been dumped, in most cases at any price that was offered. Within a single day, millions of investors were wiped out. Within a few weeks of further decline, $3 billion of wealth had disappeared.

Within twelve months, $40 billion had vanished. People who had counted / their paper profits and thought they were rich suddenly found themselves to be very poor.

p500
There is no evidence that the Crash [1929] was planned for the purpose of profit taking. In fact, there is much to show that the monetary scientists tried mightily to avert it, and might have done so had not their higher-priority agendas gotten in the way. Yet, once they realized the inevitability of a collapse in the market, they were not bashful about using their privileged position to take full advantage of it. In that sense, FDR's son-in-law, Curtis Dall, was right when he wrote: "It was the calculated 'shearing' of the public [the World Money Powers."

p500
It is human nature for man to place personal priorities ahead of all others. Even the best of men cannot long resist the temptation to benefit at the expense of their neighbors if the occasion is placed squarely before them. This is especially true when the means by which they benefit is obscure and not likely to be perceived as such. There may be exceptional men from time to time who can resist that temptation, but their numbers are small. The general rule will prevail in the long run.

A managed economy presents men with precisely that kind of opportunity. The power to create and extinguish the nation's money supply provides unlimited potential for personal gain. Throughout history the granting of that power has been justified as being necessary to protect the public, but the results have always been the opposite. It has been used against the public and for the personal gain of those who control. Therefore,

When men are entrusted with the power to control the money supply, they will eventually use that power to confiscate the wealth of their neighbors.

There is no better illustration of that law than the Crash of 1929 and the lingering depression that followed.

p501
The lingering [1929] depression is an important part of the story. The speculators had been ruined, but what they lost was money acquired without effort. There were some unfortunate souls who also lost their life savings, but only because they gambled those savings on call loans. Those who bought stock with money they actually possessed did not have to sell, and they did quite well in the long run. For the most part, something-for-nothing had merely been converted back into nothing. The price of stocks had plummeted, but the companies behind them were still producing products, still employing people, and still paying dividends. No one lost his job just because the market fell. The tulips were gone, but the wheat crop remained.

So, where was the problem? In truth, there was none-at least not yet. The crash, as devastating as it was to the speculators, had little effect on the average American. Unemployment didn't become rampant until the depression years which came later and were caused by continued government restraint of the free market. The drop of prices in the stock market was really a long-overdue and healthy adjustment to the economy. The stage was now set for recovery and sound economic growth, as always had happened in the past.

It did not happen this time. The monetary and political scientists who had created the problem now were in full charge of the rescue. They saw the crash as a golden opportunity to justify even more controls than before. Herbert Hoover launched a multitude of government programs

to bolster wage rates, prevent prices from dropping, prop up failing firms, stimulate construction, guarantee home loans, protect the depositors, rescue the banks, subsidize the farmers, and provide public works. FDR was swept into office by promising even more of the same under the slogan of a New Deal. And the Federal Reserve launched a series of "banking reforms," all of which were measures to further extend its power over the money supply.

In 1931, fresh money was pumped into the economy to restart the cycle, but this time the rocket would not lift off. The dead weight of new bureaucracies and government regulations and subsidies and taxes and welfare benefits and deficit spending and tinkering with prices had kept it on the launching pad.

Eventually, the productive foundation of the country also began to crumble under the weight. Taxes and regulatory agencies forced companies out of business. Those that remained had to curtail production. Unemployment began to spread. By every economic measure, the economy was no better or worse in 1939 than it was in 1930 when the rescue began. It wasn't until the outbreak of World War II, and the tooling up for war production that followed, that the depression was finally brought to an end.

It was a dubious save. In almost every way, it was a repeat of the drama played out with World War I, even to the names of two of its most important players. FDR and Churchill worked together behind the scenes to bring America into the conflict-Churchill wanting American assistance in a war England was losing and could not afford, FDR wanting a jolt to the economy for political reasons, and the financiers, gathered behind J.P. Morgan, wanting profits of war.

p502
During the nine years before the crash of 1929, the Federal Reserve was responsible for a massive expansion of the money supply. A primary motive for that policy was to assist the government of Great Britain to pay for its socialist programs which, by then, had drained its treasury. By devaluing the dollar and depressing interest rates in America, investors would move their money to England where rates and values were higher. That strategy succeeded in helping Great Britain for a while, but it set in motion the forces that made the stock-market crash inevitable.

The money supply expanded throughout this period, but the trend was interspersed with short spasms of contraction which were the result of attempts to halt the expansions. Each resolve to use restraint was broken by the higher political agenda of helping the governments of Europe. In the long view, the result of plentiful money and easy credit was a wave of speculation in the stock market and urban real estate that intensified with each passing month.

There is circumstantial evidence that the Bank of England and the Federal Reserve had concluded, at a secret meeting in February of 1929, that a collapse in the market was inevitable and that the best action was to let nature take its course. Immediately after that meeting, the financiers sent advisory warnings to lists of preferred customers-wealthy industrialists, prominent politicians, and high officials in foreign governments-to get out of the stock market. Meanwhile, the American people were being assured that the economy was in sound condition.

On August 9, the Federal Reserve applied the pin to the bubble. It increased the bank-loan rate and began to sell securities in the open market. Both actions have the effect of reducing the money supply. Rates on brokers' loans jumped to 20%. On October 29, the stock market

collapsed. Thousands of investors were wiped out in a single day. The insiders who were forewarned had converted their stocks into cash while prices were still high. They now became the buyers. Some of the greatest fortunes in America were made in that fashion.

Time Travel Into The Future excerpted from the book The Creature from Jekyll Island a second look at the Federal Reserve by G. Edward Griffin

p516
A think-tank study [was] released in 1966 called the "Report from Iron Mountain".

... The self-proclaimed purpose of the study was to explore various ways to "stabilize society." Praiseworthy as that may sound, a reading of the Report soon reveals that the word society is used synonymously with the word government. Furthermore, the word stabilize is used as meaning to preserve and to perpetuate. It is clear from the start that the nature of the study was to analyze the different ways a government can perpetuate itself in power, ways to control its citizens and prevent them from rebelling.

... The major conclusion of the report was that, in the past, war has been the only reliable means to achieve that goal. It contends that only during times of war or the threat of war are the masses compliant enough to carry the yoke of government without complaint. Fear of conquest and pillage by an enemy can make almost any burden seem acceptable by comparison. War can be used to arouse human passion and patriotic feelings of loyalty to the nation's leaders. No amount of sacrifice in the name of victory will be rejected. Resistance is viewed as treason. But, in times of peace, people become resentful of high taxes, shortages, and bureaucratic intervention. When they become disrespectful of their leaders, they become dangerous. No government has long survived without enemies and armed conflict. War, therefore, has been an indispensable condition for "stabilizing society." These are the report's exact words:

The war system not only has been essential to the existence of nations as independent political entities, but has been equally indispensable to their stable political structure. Without it, no government has ever been able to obtain acquiescence in its "legitimacy," or right to rule its society. The possibility of war provides the sense of external necessity without which no government can long remain in power. The historical record reveals one instance after another where the failure of a regime to maintain the credibility of a war threat led to its dissolution, by the forces of private interest, of reactions to social injustice, or of other disintegrative elements. The organization of society for the possibility of war is its principal political stabilizer .... It has enabled societies to maintain necessary class distinctions, and it has insured the subordination of the citizens o the state by virtue of the residual war powers inherent in the concept of nationhood.

p518
The concludes that there can be no substitute for war unless it possesses three properties. It must (1) be economically wasteful, (2) represent a credible threat of great magnitude, and (3) provide a logical excuse for compulsory service to the government.

p519
The Report from Iron Mountain says:

We will examine ... the time-honored use of military institutions to provide anti-social elements with an acceptable role in the social structure .... The current euphemistic clichés-"juvenile

delinquency" and "alienation"-have had their counterparts in every age. In earlier days these conditions were dealt with directly by the military without the complications of due process, usually through press gangs or outright enslavement ....

Most proposals that address themselves, explicitly or otherwise, to the postwar problem of controlling the socially alienated turn to some variant of the Peace Corps or the so-called Job Corps for a solution. The socially disaffected, the economically unprepared, the psychologically uncomfortable, the hard-core "delinquents," the incorrigible "subversives," and the rest of the unemployable are seen as somehow transformed by the disciplines of a service modeled on military precedent into more or less dedicated social service workers ....

Another possible surrogate for the control of potential enemies of society is the reintroduction, in some form consistent with modern technology and political processes, of slavery .... It is entirely possible that the development of a sophisticated form of slavery may be an absolute prerequisite for social control in a world at peace. As a practical matter, conversion of the code of military discipline to a euphemized form of enslavement would entail surprisingly little revision; the logical first step would be the adoption of some form of "universal" military service.

p522
The Report from Iron Mountain says:

Credibility, in fact, lies at the heart of the problem of developing a political substitute for war. This is where the space-race proposals, in many ways so well suited as economic substitutes for war, fall short. The most ambitious and unrealistic space project cannot of itself generate a believable external menace. It has been hotly argued that such a menace would offer the "last best hope of peace," etc., by uniting mankind against the danger of destruction by "creatures" from other planets or from outer space. Experiments have been proposed to test the credibility of an out-of-our-world invasion threat; it is possible that a few of the more difficult-to-explain "flying saucer" incidents of recent years were in fact early experiments of this kind. If so, they could hardly have been judged encouraging.

p523
The Report from Iron Mountain says:

When it comes to postulating a credible substitute for war ... the "alternate enemy" must imply a more immediate, tangible, and directly felt threat of destruction. It must justify the need for taking and paying a "blood price" in wide areas of human concern. In this respect, the possible substitute enemies noted earlier would be insufficient. One exception might be the environmental-pollution model, if the danger to society it posed was genuinely imminent. The fictive models would have to carry the weight of extraordinary conviction, underscored with a not inconsiderable actual sacrifice of life .... It may be, for instance, that gross pollution of the environment can eventually replace the possibility of mass destruction by nuclear weapons as the principal apparent threat to the survival of the species. Poisoning of the air, and of the principal sources of food and water supply, is already well advanced, and at first glance would seem promising in this respect; it constitutes a threat that can be dealt with only through social organization and political power ....

It is true that the rate of pollution could be increased selectively for this purpose .... But the pollution problem has been so widely publicized in recent years that it seems highly improbable that a program of deliberate environmental poisoning could be implemented in a politically

acceptable manner.

However unlikely some of the possible alternative enemies we have mentioned may seem, we must emphasize that one must be found of credible quality and magnitude, if a transition to peace is ever to come about without social disintegration. It is more probable, in our judgment, that such a threat will have to be invented.

p528
The Club of Rome is a group of global planners who annually release end-of-world scenarios based on predictions of overpopulation and famine. In its 1991 book entitled The First Global Revolution"

In searching for a new enemy to unite us, we came up with the idea that pollution, the threat of global warming, water shortages, famine and the like would fit the bill .... All these dangers are caused by human intervention .... The real enemy, then, is humanity itself.

Socialist theoreticians have always been fascinated by the possibility of controlling population growth. It excites their imagination because it is the ultimate bureaucratic plan. If the real enemy humanity itself, as the Club of Rome says, then humanity itself must become the target. Fabian Socialist Bertrand Russell expressed it thus:

I do not pretend that birth control is the only way in which population can be kept from increasing .... War, as I remarked a moment ago, has hitherto been disappointing in this respect, but perhaps bacteriological war may prove more effective. If a Black Death could be spread throughout the world once in every generation, survivors could procreate freely without making the world too full....

A scientific world society cannot be stable unless there is world government .... It will be necessary to find ways of preventing an increase in world population. If this is to be done otherwise than by wars, pestilences and famines, it will demand a powerful international authority. This authority should deal out the world's food to the various nations in proportion to their population at the time of the establishments of the authority. If any nation subsequently increased its population, it should not on that account receive any more food. The motive for not increasing population would therefore be very compelling.

p529
Jacques Cousteau. Interviewed by the United Nations UNESCO Courier in November of 1991,

What should we do to eliminate suffering and disease? It is a wonderful idea but perhaps not altogether a beneficial one in the long run. If we try to implement it we may jeopardize the future of our species. It's terrible to have to say this. World population must be stabilized, and to do that we must eliminate 350,000 people per day. This is so horrible to contemplate that we shouldn't even say it, but it is just as bad not to say it.

p530
Mikhail Gorbachev

I believe that the new world order will not be fully realized unless the United Nations and its Security Council create structures ... authorized to impose sanctions and make use of other

measures of compulsion.

p531
Maurice Strong, Secretary-General of the 1992 Earth Summit; co-chairman of the World Economic Forum

In effect, the United States is committing environmental aggression against the rest of the world .... At the military level, the United States is the custodian. At the environmental level, the United States is clearly the greatest risk .... One of the worst problems in the United States is energy prices-they're too low ....

It is clear that current lifestyles and consumption patterns of the affluent middle class ... involving high meat intake, consumption of large amounts of frozen and 'convenience' foods, ownership of motor-vehicles, numerous electric household appliances, home and work-place air-conditioning ... expansive suburban housing ... are not sustainable.

p557
George Orwell's novel "1984"

The primary aim of modem warfare ... is to use up the products of the machine without raising the general standard of living. [The "machine" is society's technical and industrial capacity to produce goods.]

... an all-around increase in wealth threatened the destruction ... of a hierarchical society. In a world in which everyone worked short hours, had enough to eat, lived in a house with a bathroom and a refrigerator, and possessed a motorcar or even an airplane, the most obvious and perhaps the most important form of inequality would already have disappeared. If it once became general, wealth would confer no distinction .... Such a society could not long remain stable. For if leisure and security were enjoyed by all alike, the great mass of human beings who are normally stupefied by poverty would become literate and would learn to think for themselves; and when once they had done this, they would sooner or later realize that the privileged minority had no function, and they would sweep it away. In the long run, a hierarchical society was only possible on a basis of poverty and ignorance....

The essential act of war is destruction, not necessarily of human lives, but of the products of human labor. War is a way of shattering to pieces, or pouring into the stratosphere, or sinking into the depths of the sea, materials which might otherwise be used to make the masses too comfortable, and hence, in the long run, too intelligent ....

... In principle it would be quite simple to waste the surplus labor of the world by building temples and pyramids, by digging holes and filling them up again, or even by producing vast quantities of goods and then setting fire to them. But this would provide only the economic and not the emotional basis for a hierarchical society ....

War, it will be seen, is now a purely internal affair..., waged by each ruling group against its own subjects, and the object of the war is not to make or prevent conquests of territory, but to keep the structure of society intact.

p558
The Report from Iron Mountain says:

The production of weapons of mass destruction has always been associated with economic "waste." The term is pejorative, since it implies a failure of function. But no human activity can properly be considered wasteful if it achieves its contextual objective ....

In the case of military "waste," there is indeed a larger social utility .... In advanced modern democratic societies, the war system has served as the last great safeguard against the elimination of necessary social classes...

The arbitrary nature of war expenditures and of other military activities make them ideally suited to control these essential class relationships .... The continuance of the war system must be assured, if for no other reason, among others, than to preserve whatever quality and degree of poverty a society requires as an incentive, as well as to maintain the stability of its internal organization of power.

p560
The Report from Iron Mountain says:

When asked how best to prepare for the advent of peace, we must first reply, as strongly as we can, that the war system cannot responsibly be allowed to disappear until we know exactly what it is we plan to put in its place, and 2) we are certain, beyond reasonable doubt, that these substitute institutions will serve their purposes in terms of the survival and stability of society .... It is uncertain, at this time, whether peace will ever be possible. It is far more questionable that it would be desirable even if it were demonstrably attainable.